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College of Business Administration
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Pennsylvania Business Survey

October 1989

AUGUST BRINGS FURTHER SIGNS OF SOFTNESS

Economic sluggishness is evident practically across the board in Pennsylvania during August. Nothing on the horizon suggests that conditions are likely to change appreciably over the near-term. A batch of good news at the national level during mid-summer appears to have halted, at least temporarily, efforts by the Federal Reserve to ease interest rates lower which would have spurred additional activity. But **recent weakness has done little to subtract from record levels of activity across several sectors of the Commonwealth's economy. Conditions could be considerably worse six or seven years into the recovery. Additionally, the State's economy has exhibited signs of faltering in the past, only to accelerate and keep the expansion alive.**

Past issues of the *Pennsylvania Business Survey* have tended to look at the 1987-1988 period in positive terms. Trends in average annual pay tend to back up such a contention. While average pay in Pennsylvania still falls slightly below nationwide norms, a fair amount of ground has been made up in the past two years (table). In 1986, average pay in Pennsylvania was just 97.2 percent of the U.S. average. As of 1988, the $21,845 average annual pay level (99.9 percent of the U.S.) is essentially equal to the national average. Of the nine broad industry groups shown, eight saw pay levels increase in proportion to the nation over the 1986-1988 time frame.

Despite a drop in the jobless rate to a seasonally adjusted 4.3 percent, down 0.2 point from July, **trends on the employment front back up the sluggish scenario put forth above.** Following the largest monthly drop in employment since 1980 during July, August brings with it an additional decline totaling around 40,000, seasonally adjusted. This brings the drop in employment over the past two months to over 150,000. At a seasonally adjusted 5,520,000, the number of Pennsylvanians officially listed as employed in August is below year-ago readings for the first time since April 1987.

Recent trends, however, probably paint an overly pessimistic picture of the economy's true health. **A string of employment declines of the magnitude of those recorded the past two months is not in the offing.** Resident employment indicators tend to be quite volatile, with wide monthly swings. A surge in the number of employed over the next month or two cannot be ruled out. Additionally, despite recent sluggishness, employment is up on a year-to-date basis by 175,000 or 3.2 percent, the second strongest percentage gain of the decade. Still, growth is slowing. **After coming in at 4.5 percent in the first quarter of this year, year-over-year employment growth came in at 3.8 percent in the second quarter before falling to 1.6 percent in July and −0.5 percent in August.**

Also among the batch of statistics and trends which fall in line with the sluggish scenario are those relating to retail activity. For July, retail sales totaled nearly $6.6 billion, down from June after seasonal adjustment but up 2.4 percent from a year ago. Over the same annual period, however, consumer prices are up more than twice as much, implying a decline in "real" sales. So far this year, sales are up 2.5 percent compared to the first seven months of 1988. Leading the way has been sales of nondurable goods which are up 5 percent. As in recent months, drug-related

Average annual pay trends: PA and the U.S. (dollars)

	1988		PA as a pct. of U.S.	
	PA	U.S.	1988	1986
Total	21,845	21,871	99.9	97.2
Mining	31,843	34,341	92.7	90.3
Construction	25,509	24,432	104.4	102.9
Manufacturing	26,320	26,916	97.8	96.9
Tran., comm., and pub. util.	27,986	28,201	99.2	99.8
Wholesale trade	27,131	27,843	97.4	95.4
Retail trade	11,256	11,965	94.1	92.4
Fin., ins., and real estate	25,595	27,691	92.4	92.1
Services	19,525	19,984	97.7	96.9
Government	23,063	23,021	100.2	99.0

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	July	Pct. chg.	Year-to-date	Pct. chg.
Total	6,586	2.4	44,946	2.5
Durables	2,493	0.9	16,690	− 1.6
Bldg. mat.		− 5.2		− 3.6
Auto dlrs.		− 2.6		− 6.9
Furniture		14.0		20.4
Other		11.7		8.0
Nondurables	4,093	3.4	28,256	5.0
Gen. mdse.		0.3		− 0.4
Food/grocery		1.2		4.6
Gas		5.0		4.6
Apparel		2.5		5.2
Eat/drink		0.0		5.5
Drugs		14.7		13.8
Other		18.4		9.0
Seas. adj. total: July		6,630		
June		6,735		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

sales have shown exceptional strength. The news is not nearly as good on the durable goods side where sales are down 1.6 percent so far in 1989. Automotive-related sales are off nearly 7 percent. Jobs in retail trade establishments are off for the third straight month on a seasonally adjusted basis in August and the fifth time in the past six months. August job levels, at 882,000, are below year-ago readings for the first time since February 1983.

There has been a reversal in Pennsylvania retail sales trends in 1989. **Between 1983 and 1988, growth in durable goods sales exceeded gains on the nondurables side** (chart). **In every month this year but January, nondurable goods sales growth has surpassed that for durable goods.** In four of the past six months, durable goods sales are below a year ago. Durable goods sales are also quite volatile relative to the nondurables side. Between 1980 and 1988, durable goods sales growth ranged from a 3 percent decline to a 20 percent gain. Growth in nondurable goods sales fell in a narrow range around 5 percent.

New Pennsylvania building permit authorizations (percent change from year ago)

	August	Pct. chg.	Year-to-date	Pct. chg.
Residential	4,333	– 12.3	32,562	– 16.9
Nonresidential	2,214	– 10.0	15,708	– 5.2

Source: U.S. Dept. of Commerce, Bureau of the Census.

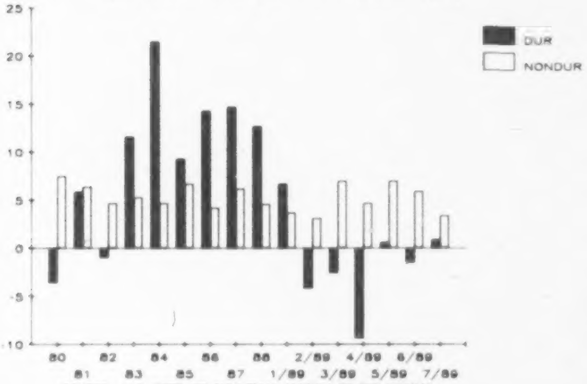
Indicators of the health of the construction industry are mixed. While job levels remain at record highs, measures of activity point to continued sluggishness. Contract valua-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	July	*August*	*August*	*July*	*August*	*August*	*July*	*August*	*August*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,108*	5,099	5,051	5,095*	5,080	5,045	111.6	111.3	110.5
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,045	4,026	3,989	4,039	4,027	3,989	125.3	124.9	123.8
Mining	22	28	29	22	28	29	44.8	57.5	59.8
Contract construction	260*	262	253	241*	243	234	131.2*	131.8	127.2
Transportation	143	143	142	148	148	147	91.8	92.0	91.5
Public Utilities	105	91	106	104	90	105	102.8	89.2	104.4
Wholesale trade	273	272	271	270	271	269	122.0	122.0	121.4
Retail trade	886	882	886	884	879	883	123.3	122.6	123.1
Finance, insurance & real estate	301	300	296	297	296	292	136.3	136.2	134.4
Service & miscellaneous	1,386	1,383	1,339	1,378*	1,381	1,336	159.8*	160.1	154.9
Federal government	140	140	141	139	140	140	108.6	109.0	109.4
State & local government	530	526	527	550	552	553	94.3	94.7	94.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,055*	1,058	1,061	1,056*	1,053	1,055	78.7*	78.5	78.6
Durable goods	602	599	604	602*	598	603	74.3*	73.8	74.4
Nondurable goods	453	459	457	456	456	453	85.7	85.6	85.1
Ave. wkly. hrs. worked by prod. workers	40.4*	40.5	40.8	40.6*	40.6	40.9	102.7*	102.7	103.5
Total wkly. person-hours worked (mils.)	29.3*	29.6	29.7	29.5*	29.6	29.6	76.9*	77.0	77.2
Total wkly. payroll (mil. dols.)	309.9*	311.9	303.9	313.4*	313.2	305.1	139.5*	139.4	135.8
Average hourly earnings (dollars)	10.57	10.54	10.25	10.59	10.59	10.30	181.0	181.1	176.0
Average weekly earnings (dollars)	427.03	426.87	418.20	430.47	429.88	421.29	186.1	185.8	182.1
Steel production (thous. tons)	941	917	1,090	n.a.	n.a.	n.a.	45.2	45.8	54.6
Industrial electric power sales (mil. kwh)	3,748	3,900	4,026	3,734	3,768	3,860	101.1	102.0	104.5
Mining									
Anthracite coal (thous. net tons)	211	334	360	220	283	301	45.1	57.9	61.5
Bituminous coal (thous. net tons)	4,154	6,268	6,428	5,064	6,194	6,152	71.8	87.8	87.2
Construction contracts awarded (mil. dols.)									
Total	851.3	954.4	808.2*	814.9	789.6	721.9*	253.3	245.4	224.4*
Residential building	379.6	442.7	429.6*	351.6	355.0	356.4*	249.8	252.2	253.2*
Nonresidential building	317.0	357.2	277.3*	327.3	307.2	239.8*	301.7	283.1	221.0*
Nonbuilding (utilities and public works)	154.7	154.4	101.3*	136.0	127.4	125.7*	187.6	175.7	173.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,684	5,686	5,713	5,561	5,523	5,552	115.7	114.9	115.5
Unemployed									
No. of persons (thous.)	277	233	250	261	246	263	65.1	61.4	65.7
Rate (percentage of labor force)	4.6	3.9	4.2						
Rate, seasonally adjusted				4.5	4.3	4.6			
Civilian labor force, no. of persons (thous.)	5,961	5,919	5,963	5,822	5,769	5,816	111.8	110.8	111.7
Initial claims for unemployment benefits	93,305	72,789	64,065	90,118	93,436	79,023	62.9	65.3	55.2

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month*	*Year*
	July	*August*	*August*	*Ago*	*Ago*
U.S. city average	124.4	124.6	119.0	+ 0.2	+ 4.7
Philadelphia	129.3	129.1	123.9	– 0.2	+ 4.2
Pittsburgh	n.a.	120.8	115.3	n.a.	+ 4.8

[1] Total includes workers on strike. * = figure revised † = figure for June 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA DURABLE AND NONDURABLE RETAIL SALES GROWTH
(percent change from year ago)

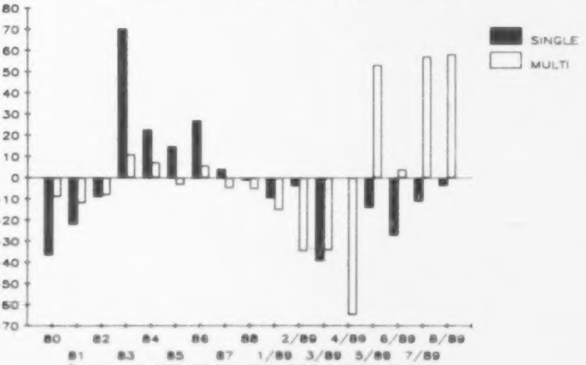


SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS.

tions are down a bit from July after seasonal adjustment but are above a year ago. New building permit authorizations are down on both the residential and nonresidential sides. The single-family sector led the upsurge in residential construction activity earlier in the decade (chart). **Growth in single-family activity slowed considerably beginning in 1987, and so far this year permit authorizations are down from year-ago readings.** Trends in the multi-family sector have been quite variable so far this year. After coming in considerably below year-ago levels during the first four months of 1989, permit authorizations have been up by more than 50 percent in three of the past four months.

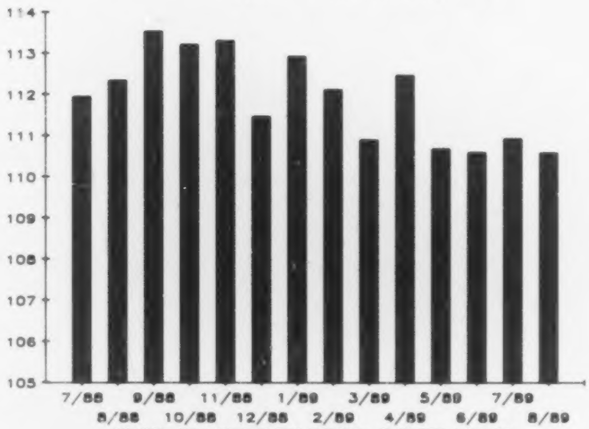
Trends in nonmanufacturing job levels are deceiving. The drop of 19,000 jobs from July to 4,026,000 occurs in a month when the number of positions typically falls by just 7,000 strictly for seasonal reasons. However, labor disputes in the public utilities industries, where jobs are off by 14,000 from July, account for most, if not all, of the shortfall. Job levels in these industries will rebound in September. Not only did mining jobs rebound by a seasonally adjusted 6,000 in August following a period of labor unrest, but the amount of coal mined is up by more than one fifth after adjustment for normal seasonal ups and downs. Excluding the mining and public utilities categories, job levels are up from July on a seasonally adjusted basis in five of the eight industries tracked and are unchanged in a sixth.

PA SINGLE-FAMILY AND MULTI-FAMILY
HOUSING PERMIT GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
December 1988	111.5	85.8	−1.6	−0.5
January 1989	112.9	87.3	1.3	1.7
February	112.1	86.9	−0.7	−0.5
March	110.9	87.0	−1.1	0.1
April	112.5	86.0	1.4	−1.1
May	110.7	85.1	−1.6	−1.0
June	110.6	85.3	−0.1	0.3
July	110.9	84.8	0.3	−0.6
August	110.6	84.5	−0.3	−0.4

As anticipated in last month's *Survey*, manufacturing jobs trended down in August following July's impressive, yet unexplained, performance. Factory job levels are up by only one-half the amount expected in July in rising by 3,000 to 1,058,000. The end result is a seasonally adjusted decline. Based upon the Pennsylvania Manufacturing Activity Index, output is, at best, holding its own at post-recession highs. While not pointing to a free fall, other indicators of manufacturing activity, mostly dealing with earnings, hours worked, and payroll trends, also point to a factory sector that is barely holding its own.

Although better than earlier in the decade, manufacturing job trends of late leave considerable room for improvement. Over the 1980-1988 period, manufacturing job levels declined in all but two years. During the seven years in which job levels declined, losses averaged 50,000 per year, ranging from 4,900 in 1987 to 128,500 in 1982. As the economy recovered in 1984, jobs rose by 26,100, but only temporarily. In 1988, job levels rose by 11,800. However, it is safe to say a significant portion of the gain was the result of labor unrest in the steel industry during the first half of 1987 which helped to "artificially" depress job readings. It is questionable as to whether or not the gain was reflective of the factory sector's underlying health. Indeed, job gains lessened considerably as 1988 came to a close. By May of this year, job levels were once again below year ago readings, where they have been for much of the decade, and trending down.

The outlook, although not exactly gloomy, does not point to any surge in activity in the foreseeable future in Pennsylvania. At the same time, a recession is not in sight, despite the fifth decline in the Pennsylvania composite index of leading indicators in the past seven months (chart). Activity may be slowing a bit, but it is slowing from a rather lofty peak which gives the economy a bit of a recessionary "cushion."

While the last several years have been characterized by economic recovery in Pennsylvania, it is difficult to deny that some troubling problems remain. Over the 1980-1987 period, 200,000 more people left the Commonwealth than moved into the State. This translates into 1.7 percent of the 1980 population. While individuals moved for a variety of reasons, perhaps the most prevelant reason concerns a perceived lack of economic opportunity on the part of many (former) Pennsylvanians. Essentially the entire western half of Pennsylvania realized a net outflow of residents over the period (chart). The only regions that managed to attract more people than it lost were southeastern Pennsylvania where economic displacement has not been nearly as severe as in the west, and in the extreme northeast.

— *William D. Anderson*

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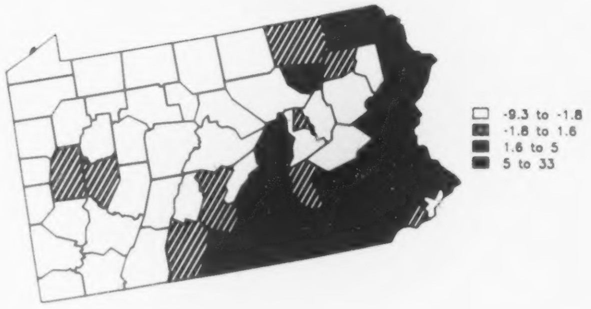
1980-1987 NET MIGRATION BY COUNTY
(percent of 1980 population)



SOURCE: PA STATE DATA CENTER; U.S. BUREAU OF THE CENSUS.

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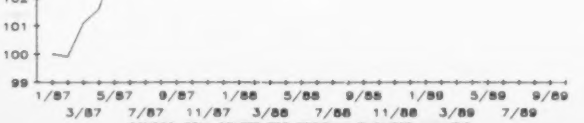
QUESTIONABLE PACE OF ECONOMIC GROWTH CONTINUES

There are few signs of strength in the Pennsylvania economy based on trends through September. A review of recent issues of the *PBS* shows that the economy is in the midst of an economic slowdown. Trends in the Pennsylvania index of coincident indicators, which mirrors current conditions, provide evidence to support this contention. It has declined in each of the past three months and six of the past nine.

Manufacturing led a resurgence in the Pennsylvania economy over the 1987-1988 period. Production of goods moved briskly upward based on the Pennsylvania Manufacturing Activity Index (chart). The improvement in the health of manufacturing during the period was mostly in response to favorable capital spending trends and a greater competitiveness in international marketplaces on the part of U.S. manufacturers. Pennsylvania did not show signs of leading the turnaround. It may be argued that the Commonwealth trailed the rest of the nation. Manufacturing jobs grew 1.1 percent in Pennsylvania during 1988, a somewhat "inflated" growth rate in that labor-management difficulties in the primary metals industry artificially depressed job totals in 1987. Nationwide, growth came in at 2 percent. So, while manufacturing was turning in one of its strongest job performances in Pennsylvania in recent years during 1988 in adding more than 10,000 jobs, it appears that considerable room still remained for improvement.

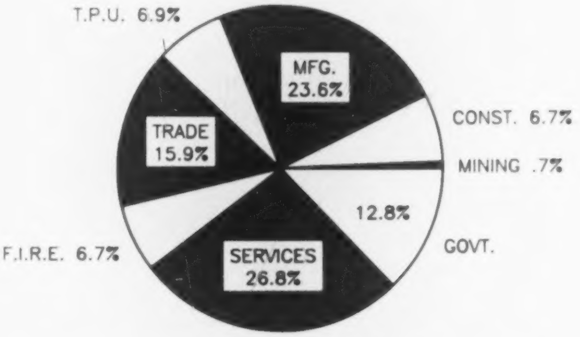
Although a great deal of weight should not be placed on short-term movements in the PMAI (see the October 1988 *Survey* for an explanation), its recent downtrend, coupled with trends in other indicators, suggests that **the manufacturing picture is deteriorating.** Factory job levels have declined in every month but two this year on a seasonally adjusted basis. In September, job levels, at 1,051,000, are below year-ago readings by 9,000. The downtrend in the average workweek continues, suggesting that hiring is not likely to increase in the near-term. Despite improvement in September, the growth in average weekly earnings for production workers has not been keeping up with price gains.

THE PENNSYLVANIA MANUFACTURING ACTIVITY INDEX
(Jan 1987=100)

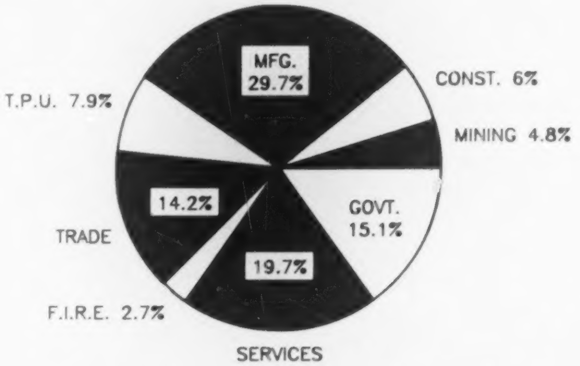


SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

SHARE OF 1987 METRO PA EARNINGS BY INDUSTRY
(percent)



SHARE OF 1987 NONMETRO PA EARNINGS BY INDUSTRY
(percent)



It is hard to deny that the importance of manufacturing in the Pennsylvania economy has diminished, although the degree to which it has is debatable. However, trends in recent years show that these industries still play a major role in determining the economy's health.

Manufacturing represents a larger share of overall nonfarm activity in the nonmetropolitan portion of Pennsylvania than in metropolitan areas. Factories account for 30 percent of earnings in Pennsylvania's nonmetro counties (as of 1987, the most recent year for which data are available) compared to 24 percent in metro counties (charts). Those industries most affected by local population and income bases such as services, finance, and trade, represent a larger portion of earnings in metro Pennsylvania. Mining's share of nonfarm earnings is nearly seven times greater in nonmetropolitan counties compared to the metro areas.

New Pennsylvania building permit authorizations (percent change from year ago)

	Sept.	Pct. chg.	Year-to-date	Pct. chg.
Residential	4,021	− 6.3	36,735	−15.7
Nonresidential	1,788	−17.5	17,589	− 5.9

Source: U.S. Dept. of Commerce, Bureau of the Census.

Trends in construction remain unimpressive although jobs continue to hold steady at record readings, 243,000 on a seasonally adjusted basis in September. **Housing has yet to show signs of responding to downward pressure on mortgage rates.** This year, permits for new housing units have tumbled 16 percent from a year ago. If there is any good news in these data, it is that September's 6.3 percent decline from a year ago is the second smallest decline this year. On the nonresidential side, September awards are down 18 percent on an annual basis and the year-to-date decline is 6 percent. This weakness is widespread across most of Pennsylvania's metropolitan areas. **On the bright side, the value of con-**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Aug	*Sep*	*Sep*	*Aug*	*Sep*	*Sep*	*Aug*	*Sep*	*Sep*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,100*	5,125	5,075	5,081*	5,101	5,051	111.3	111.7	110.6
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,029*	4,070	4,012	4,030*	4,056	3,997	125.0*	125.8	124.0
Mining	28	28	29	28	28	29	57.9*	57.5	59.8
Contract construction	262	258	250	243	243	234	131.9*	131.9	127.3
Transportation	143	150	150	148	149	148	91.8*	92.3	91.7
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State & local government	524*	549	542	550*	562	555	94.4*	96.5	95.3
Manufacturing									
No. of wage and salary jobs (thous.)	1,056*	1,051	1,060	1,050*	1,045	1,054	78.3*	77.9	78.6
Durable goods	598*	595	604	596*	592	602	73.6*	73.2	74.3
Nondurable goods	458*	456	456	454*	452	452	85.3*	85.0	84.9
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Bituminous coal (thous. net tons)	6,268	6,220	5,907	6,004	6,037	5,929	85.1	85.6	84.1
Construction contracts awarded (mil. dols.)									
Total	954.4	845.5	811.1*	789.6	871.3	796.1*	245.4	270.8	247.5*
Residential building	442.7	444.5	396.1*	355.0	422.9	356.2*	252.2	300.5	253.1*
Nonresidential building	357.2	294.5	325.2*	307.2	313.2	326.3*	283.1	288.7	300.8*
Nonbuilding (utilities and public works)	154.4	106.4	88.7*	127.4	135.2	113.6*	175.7	186.5	156.8*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,686	5,625	5,584	5,523	5,571	5,530	114.9	115.9	115.1
Unemployed									
No. of persons (thous.)	233	237	297	246	243	304	61.4	60.5	75.9
Rate (percentage of labor force)	3.9	4.0	5.1						
Rate, seasonally adjusted	4.3	4.1	5.2						
Civilian labor force, no. of persons (thous.)	5,919	5,862	5,881	5,769	5,814	5,834	110.8	111.7	112.0
Initial claims for unemployment benefits	72,789	65,803	55,407	93,436	88,493	72,974	65.3	61.8	51.0

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1989 *Aug.*	1989 *Sep.*	1988 *Sep.*	Percentage Change *Month Ago*	Percentage Change *Year Ago*
U.S. city average	124.6	125.0	119.8	+0.3	+4.3
Philadelphia	129.1	130.2	125.2	+0.9	+4.0
Pittsburgh	120.8	n.a.	115.3&	n.a.	+4.8

[1] Total includes workers on strike. * = figure revised & = figure for August 1988 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

New PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1989: IIIQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	616	-25.8	1,913	-33.7
Carbon	68	-9.3	193	-31.1
Lehigh	299	-23.9	952	-20.6
Northampton	249	-31.2	768	-45.4
Beaver County MSA	105	20.7	286	41.6
Philadelphia MSA	2,859	-16.8	8,810	-26.3
Bucks	595	-37.2	2,320	-27.0
Chester	1,003	5.9	2,551	-11.4
Delaware	293	-10.1	823	-38.2
Montgomery	793	-10.8	2,617	-13.7
Philadelphia	175	-46.6	499	-67.3
Pittsburgh MSA	1,137	-22.2	3,528	-20.5
Allegheny	609	-35.2	2,081	-28.8
Fayette	69	-45.2	251	-21.3
Washington	176	22.2	402	-4.5
Westmoreland	283	12.3	794	2.1
Adams County	183	-29.9	535	-25.8
Nonres. buildings				
Allentown-Beth. MSA	533	-24.1	1,573	-12.5
Carbon	27	-46.0	86	-30.6
Lehigh	239	-17.0	719	0.8
Northampton	267	-26.6	768	-20.1
Beaver County MSA	90	-17.4	244	-19.7
Philadelphia MSA	1,378	-20.4	4,024	-9.2
Bucks	423	-38.2	1,251	-29.1
Chester	349	-4.1	970	5.3
Delaware	156	-33.9	441	-15.2
Montgomery	403	0.0	1,240	11.9
Philadelphia	47	4.4	122	3.4
Pittsburgh MSA	724	3.0	1,987	6.3
Allegheny	379	6.2	1,045	14.6
Fayette	78	-17.0	209	-7.9
Washington	120	-6.3	322	-13.7
Westmoreland	147	18.5	411	14.8
Adams County	83	-7.8	237	21.5

Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	August	Pct. chg.	Year-to-date	Pct. chg.
Total	7,048	4.9	52,083	3.0
Durables	2,756	5.4	19,516	-0.3
Bldg. mat.		-11.1		-4.7
Auto dlrs.		5.2		-4.8
Furniture		10.4		18.4
Other		18.1		9.9
Nondurables	4,292	4.5	32,567	5.0
Gen. mdse.		3.1		0.1
Food/grocery		4.0		4.7
Gas		-0.8		4.0
Apparel		5.3		5.6
Eat/drink		7.3		6.0
Drugs		6.7		11.5
Other		6.5		8.5
Seas. adj. total: August		6,903		
July		6,719		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.

Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

struction contract awards is up in September on a seasonally adjusted basis from August in all three categories tracked: residential building, nonresidential building, and nonbuilding activity. For the year, total values are up more than 7 percent, although a fair portion of the gain is accounted for by inflation.

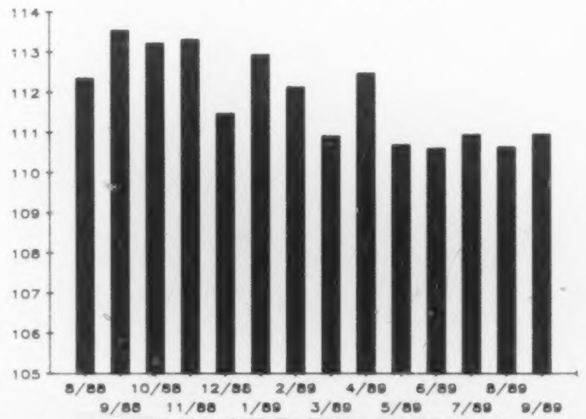
Retail sales growth picked up in August, the most recent month for which data are available as they are up from July readings after seasonal adjustment. Sales are up 4.9 percent compared to a year ago while year-to-date growth comes in at 3 percent. **Much of the improvement can be traced to automotive dealers and may represent increased vehicle sales in response to incentives.** For the year, auto dealer sales are down 4.8 percent. However, in August, they are up 5.2 percent. Nationwide, automotive-related sales are up 2.7 percent so far in 1989.

Caution is again advised in interpreting job trends in the nonmanufacturing sector. Jobs are up by 41,000 in September to 4,070,000, a gain which is 26,000 greater than expected based on past trends. The return to work of several thousand workers in the public utilities industry affected by a labor-management dispute in August is responsible for some of the gain. Typically, there is a large increase in State and local government jobs in September as a new school year begins. This year, the gain is abnormally large. There are a number of reasons why this may be. Perhaps the timing of the data collection process played a role or the number of employees affected by labor disputes may have differed from previous years. If trends such as these did bring about the large gain, it is likely that "corrections" in the form of a downtrend in job readings, will occur in coming months. More data are required to determine if the gain is a "statistical fluke" or a true reflection of job trends in this sector.

There is improvement in the resident employment picture in September. Employment is up by 50,000, seasonally adjusted, to 5,571,000. The employment gain is strong enough to absorb an increase in the labor force and put downward pressure on joblessness. The unemployment rate comes in at 4.1 percent, seasonally adjusted, down from 4.3 percent in August. **Since a record level of employment was attained in March, employment has slipped in four of six months.**

The Pennsylvania economy is struggling. While some

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

sectors move forward, albeit most of them at a slower pace, the pockets of weakness in the factory sector, construction, and retail trade have put a damper on the overall situation. Still, we hesitate to change our "no recession in the near future" outlook. Indeed, the index of leading indicators for Pennsylvania is up slightly in September (chart), the second increase in three months. However, the economy is likely to struggle to turn in even an "average" performance.

— *William D. Anderson*

Around the State

Northeastern Quarter

Allentown-Bethlehem

Third quarter trends in the Allentown-Bethlehem metropolitan area suggest that the economy is struggling. At best, the several broad indicators used to gauge the economy's strength suggest a holding pattern. In rising by 200 to 321,300, third quarter employment growth is 6,600 less than expected based on past seasonal patterns. The jobless rate is up 0.3 percentage point, seasonally adjusted, from the second quarter to 4.3 percent. Third quarter employment is still the highest reading for the period on record. The region is turning in a performance identical to Statewide norms over the short- and long-runs. So far this year, employment is up 3.1 percent in the region compared to 2.9 percent in Pennsylvania. In 1979, the three Pennsylvania counties accounted for 4.9 percent of the Commonwealth's employment compared to 5 percent in 1988.

Job growth in nonagricultural establishments has slowed in the past two quarters. During the first quarter of this year, nonfarm jobs were up 2.3 percent from a year ago. In the third quarter, the gain is just 0.9 percent. Job levels, at 282,500, still stand at their highest third quarter reading on record and are off only slightly from the all-time high set in this year's second quarter.

After holding steady for two years, factory jobs are on the decline, falling in the past three quarters after seasonal adjustment. Third quarter brought another record low job total, 76,600. The average workweek, a leading indicator of hiring trends, has been on a downtrend since peaking in late 1987. Industrial power sales, an indicator of production activity, have declined erratically in 1989.

Nonmanufacturing job gains are slowing. In the first quarter, jobs were up 2.9 percent on an annual basis. Job growth comes in at 2.1 percent in the third quarter. After adjusting for seasonality, the 205,600 nonmanufacturing jobs in the July-September period are down slightly from second quarter's record. Construction contract awards are down this year. The number of new housing units authorized by permit is off one-third from the first three quarters of 1988 with an especially large drop in Northampton County. Permit authorizations for nonresidential buildings are off 13 percent. Despite these trends, construction jobs are up by 500 so far in 1989.

There is not likely to be a sustainable uptick in overall activity in the near future. At the same time, a prolonged period of growth prior to this year's slowdown left the economy on solid ground. It will take more than the weakness seen in recent months to plunge the economy into a recession.

Scranton-Wilkes-Barre

Signs of weakness detected in the second quarter proved to be correct. The economy of the Scranton-Wilkes-Barre metropolitan area displays a definite downtrend in this year's third quarter. Still, it is best to avoid taking an overly pessimistic view. While growth has slowed, it remains positive. Gains are evident compared to a year ago.

The nearly uninterrupted uptrend in nonmanufacturing jobs since 1983 has come to a gradual end. Third quarter job readings are up 2,900 from a year ago at 231,900. However, job levels are unchanged from where they began the year after normal seasonal trends are eliminated. Over the 1982-1988 period, retail trade job growth averaged 4 percent per year in the region. So far this year, job growth is less than 1 percent compared to 1988's first three quarters. This reflects a softening trend in the retail trade sector throughout Pennsylvania and the U.S.

Trends in the construction sector are hard to pinpoint. Job levels are up by 800 on a year-to-date basis. Residential contracts, at $285 million so far this year, are up 13 percent. The $125 million in nonresidential contracts is down 11 percent. A sample of permit-issuing authorities suggests that the downtrend in new housing activity which began last year after five years of gains continues into 1989.

After showing signs of leveling off in 1987 and 1988, factory job levels have once again receded to a record low. The third quarter sees manufacturing jobs, at 70,900, below a year ago for the first time since 1988:IQ. Job levels have declined on a seasonally adjusted basis in each of the past two quarters. For the year, durable goods jobs are off by 200 from the first nine months of last year while the decline is 500 on the nondurable goods side. The region's largest employer in manu-

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '89	*3 Q. '89*	*2 Q. '89*	*3 Q. '88*
Employment *(in thousands)*				
Employed, no. of residents	321.3	115	118	114
Unemployed, no. of residents	13.9	71	66	71
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	335.1	112	114	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	282.5	110	110	109
Nonmfg. only, no. of jobs	205.6	138	138	135
Mfg. only, no. of jobs	76.6	71	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	103	103	105
Industrial electric power sales				
Metropolitan area	...	107	110	113
Allentown	...	94	98	99
Bethlehem	...	115	118	122
Easton	...	114	115	117
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	263.8	−16		
Nonresidential contracts only	162.9	−12		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

facturing, the apparel industry, has lost 500 jobs this year. This industry has been especially hard-hit by the structural changes which have rocked the economy in recent years. In Luzerne County, more than 6,500 apparel jobs have been eliminated since 1979. Luzerne County still accounts for nearly 50 percent of the apparel jobs maintained in the five-county region. Not surprisingly, the County's jobless rate, at 5.7 percent in the third quarter, is the highest in the metro area.

Third quarter trends in employment and unemployment show considerable deterioration. At 348,400, employment is up by 2,600 from the second quarter to stand at the highest July-September reading on record. This gain is only one-fourth the advance expected based upon past seasonal patterns. The gain of 2,000 from a year ago is the smallest annual advance since the third quarter of 1984. Because the third quarter decline in seasonally adjusted employment is accompanied by a decline of similar magnitude in the labor force, the jobless rate remains unchanged at 5.3 percent. This represents a decline of 0.6 percentage point from a year ago.

Williamsport

Third quarter brought with it additional evidence of a slowdown in the Lycoming County economy. Employment readings are down for the second straight quarter on a seasonally adjusted basis. During the first three months of the year, employment was 2,400 greater than a year ago. During the second quarter, it was up by 2,000. The third quarter finds employment up by just 300 to 58,000. The labor force is up by 500 between the third quarters of 1988 and 1989, resulting in an uptick in unemployment of 200 residents. As a result, the jobless rate, at an unadjusted 5.1 percent during the most recent July-September period, is up 0.4 percentage point compared to a year ago.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 3 Q '89	Average monthly index seas. adj. (1977 = 100) 3 Q '89	2 Q '89	3 Q '88
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	348.4	120	123	120
Lackawanna County[2]	106.1	115	117	114
Luzerne County[3]	154.1	114	116	113
Unemployed, no. of residents				
Metropolitan area	18.8	61	62	68
Rate, seasonally adjusted	5.3			
Lackawanna County[2]	5.7	59	57	60
Luzerne County[3]	9.3	58	64	71
Civilian labor force, no. of residents				
Metropolitan area	367.2	114	117	114
Lackawanna County[2]	111.8	110	112	109
Luzerne County[3]	163.4	108	111	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	303.4	116	116	115
Nonmfg. only, no. of jobs	231.9	130	130	128
Mfg. only, no. of jobs	70.9	85	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	118	120	112
Lackawanna County[2]	***	134	134	127
Luzerne County[3]	***	106	108	96
Hazleton	***	94	98	86
Wilkes-Barre	***	114	112	101
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	285.0	+13		
Nonresidential contracts only	125.1	-11		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Unlike elsewhere in the State, nonmanufacturing job growth is on an uptrend in the Williamsport region. Between 1982 and 1988, job growth averaged 2.9 percent each year. So far this year, nonfactory jobs are increasing at a 3.9 percent clip. The 35,800 positions in the third quarter represent a new record after seasonal adjustment. Jobs in the services industries are up by 500 on a year-to-date basis. Retail trade jobs are 200 higher than a year ago. The value of construction contract awards is up one-fifth on the residential side this year but down by one-half for nonresidential projects.

The cause of the slowdown in the pace of overall job growth in recent months is found in the factory sector. Between 1983 and 1988, these industries added 2,700 jobs in rising every year but one. So far this year, jobs are down by 600 compared to the first nine months of 1988. Industrial power sales are more than holding their own, but the average factory workweek has declined considerably since the beginning of 1988. With manufacturing expected to stay weak across the nation, economic growth will remain unimpressive in Lycoming County over the near-term. The mid 1980s were exceptionally strong in the region as manufacturing led the way. Now that the factory sector has cooled, the economy as a whole will follow suit.

Southwestern Quarter

Altoona

Nonfarm job growth in Blair County is down considerably this year. Between 1983 and 1988, nonagricultural jobs grew 2.4 percent per year, on average. This year, growth is 0.8 percent compared to the first nine months of 1988. On the nonmanufacturing side, growth in those industries which have accounted for the bulk of all new jobs in recent years is also showing signs of easing. The 42,000 positions in these industries during the third quarter represent a gain of just 1.4 percent from last year, just one-half the gain averaged over

Williamsport Area[1]

	Ave. mo. value 3 Q.'89	Average monthly index seas. adj. (1977 = 100) 3 Q.'89	2 Q.'89	3 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	58.0	120	124	120
Unemployed, no. of residents	3.1	77	76	72
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	61.1	117	119	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.7	112	113	111
Nonmfg. only, no. of jobs	35.8	127	127	123
Mfg. only, no. of jobs	15.8	88	91	92
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	101	102	106
Industrial electric power sales	***	101	94	102
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	24.1	+19		
Nonresidential contracts only	8.6	-49		

[1] Lycoming County

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '89	*3 Q. '89*	*2 Q. '89*	*3 Q. '88*
Employment *(in thousands)*				
Employed, no. of residents	58.3	108	110	106
Unemployed, no. of residents	3.3	94	90	110
Rate, seasonally adjusted	5.9			
Civilian labor force, no. of residents	61.6	107	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.9	101	102	101
Nonmfg. only, no. of jobs	42.0	108	108	106
Mfg. only, no. of jobs	10.9	82	82	84
Hrs. worked by production workers in mfg., *ave. weekly*	39.7	104	105	106
Industrial electric power sales	...	78	76	77
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	11.5	-31		
Nonresidential contracts only	25.9	-35		

[1] Blair County

the 1983-1988 period. Year-to-date declines of approximately one-third in the value of contracts awarded along with trends in construction jobs which, at best, point to a holding pattern, suggest that building activity may have peaked. However, a sample of permit-issuing authorities suggests that the number of new housing units authorized is on the upswing.

Factory job levels continue on the downtrend that has been evident since the beginning of 1988. The 10,900 factory jobs in the third quarter represent a decline of 200 from a year ago. Compared to the first quarter of 1988, about 600 manufacturing jobs have been lost after adjustment for normal seasonal ups and downs. The average workweek has trended down so far this year which suggests that the manufacturing employment picture is unlikely to improve in the near-term. On the bright side, industrial power sales to industry, a proxy for production trends, appear to be holding their own.

The slowing expansion is especially evident in third quarter resident employment and unemployment trends. Although employment is up by 1,200 from the second quarter in settling at 58,300, the gain is only about one-half that expected based on past seasonal trends. Partly as a result, the seasonally adjusted jobless rate inched upward by 0.1 percentage point to 5.9 percent. Still, improvement is noted from a year ago, suggesting that despite the recent weaknesses, growth remains positive.

Johnstown

After several months in which the economy of Cambria and Somerset Counties grew at an increasing rate, trends so far in 1989 suggest that growth may have topped out, at least for the time being. Since reaching a post-recession high in March, seasonally adjusted employment levels have slipped in four of the past six months. At 91,600, the number of residents officially listed as employed during the July-September period is up by just 1,000 from a year ago, the smallest gain since the same period in 1987. This gain absorbs only a portion of the increase in the labor force, pushing the number of unemployed up by 200 compared to 1988:IIIQ. The end result is a jobless rate of 6.9 percent, unadjusted, up 0.1 percentage point from a year ago.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '89	*3 Q. '89*	*2 Q. '89*	*3 Q. '88*
Employment *(in thousands)*				
Employed, no. of residents	91.6	93	94	92
Unemployed, no. of residents	6.8	70	59	68
Rate, seasonally adjusted	7.5			
Civilian labor force, no. of residents	98.4	90	91	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	81.0	91	91	90
Nonmfg. only, no. of jobs	66.9	99	100	99
Mfg. only, no. of jobs	13.5	63	64	63
Hrs. worked by production workers in mfg., *ave. weekly*	38.8	100	101	100
Industrial electric power sales	...	139	164	194
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	36.5	- 16		
Nonresidential contracts only	53.5	+148		

[1] Cambria and Somerset Counties

Third quarter's downtrend in factory jobs is deceiving. Labor difficulties on the durable goods side artificially depressed September's numbers by a considerable amount. Through the first eight months of the year, job levels were up by 200 or 1.9 percent from the same period a year ago. This is similar to the growth trends evident since 1983. During this year's first eight months, durable goods jobs were up by 300 while a decline in jobs was registered on the nondurables side. Both the average workweek and sales of electricity to industrial customers have moved erratically down during 1989.

Although nonmanufacturing job growth so far this year has matched growth rates from the past five years, some within-year slowing is evident. As of this year's first quarter, nonfactory jobs were up by 1,500 from a year ago. In the third quarter, the gain is only 400, the smallest since the second quarter of 1986, as jobs have settled at 66,900. On a seasonally adjusted basis, job levels have receded a bit in each of the past two quarters. Some specific sectors, however, are up considerably, perhaps related to the inflow of tourist-related activity during the commemoration of the 100*th* anniversary of the "Johnstown flood." Service jobs are up by 400 so far this year. Retail trade jobs are up by 700 or 5.2 percent. Statewide, retail trade jobs are up less than one percent. The value of residential contract awards is down 16 percent on a year-to-date basis while nonresidential awards have more than doubled from a year ago.

All told, nonfarm job gains are on the decline so far this year. During the first quarter, there were 2.2 percent more jobs in the bi-county area's nonagricultural establishments compared to a year ago. That gain slipped to 1.5 percent in the second quarter before coming in at 1.3 percent in the most recent three-month period. Still, it is probably appropriate to end on a bright note. Although it can be argued that the economy's strength is waning a bit, growth is still evident.

Pittsburgh-Beaver Valley

Few signs of strength are evident in the five counties of the Pittsburgh-Beaver Valley region based upon third quarter trends. While gains have been recorded, the region has not kept pace with growth in the State or relative to the nation throughout the recovery. Trends this year provide little evidence that this pattern has been reversed.

Statewide nonfarm job growth averaged 2.1 percent per year between 1983 and 1988. In the Pittsburgh metro area, growth averaged less than 1 percent while jobs decreased in Beaver County. During this year's first nine months, jobs are up 1.4 percent in Pennsylvania and 1.3 percent in the Pittsburgh region while Beaver County's downtrend continues. The relatively poor performance during the recovery is evident throughout the region. The number of Pennsylvania workers covered by unemployment compensation laws grew 2.7 percent, on average, over the 1983-1988 period. Comparable growth rates in the region were: 1.5 percent in Allegheny, 1.9 percent in Fayette, 2.1 percent in Washington, 1.6 percent in Westmoreland, and -2.3 percent in Beaver.

There are signs of softening in nonmanufacturing jobs. In the Pittsburgh region, growth so far this year is down from previous years. Third quarter's 759,800 nonfactory positions are unchanged from the pervious three months. A gain of 900 typically occurs because of seasonal trends. Jobs are up by 9,200 from a year ago. In Beaver County, the 39,500 nonfactory positions maintained in establishments during the third quarter represent a decline of 300 from a year ago, the only metro area to record a drop.

The number of new housing units authorized by permit in the Pittsburgh area is down one-fifth this year with Westmoreland County realizing the only gain at 2.1 percent. Beaver County authorizations are up nearly one-half. The number of Beaver County nonresidential permits is down one-fifth while they are up 6 percent in the Pittsburgh portion of the area. The value of contract awards is up on the nonresidential side and for residential projects in Beaver County in 1989. Pittsburgh metro area awards for residential projects are down 6 percent. Construction jobs are down by 1,200 in Pittsburgh through this year's first three quarters. In Beaver County, jobs in the "construction and mining" category are off by 600.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 3 Q '89	Average monthly index seas. adj. (1977 = 100) 3 Q '89	2 Q '89	3 Q '88
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	945.3	106	108	105
Beaver County	55.7	64	66	65
Unemployed, no. of residents				
Pittsburgh[1]	40.8	63	71	82
Beaver County	4.0	63	66	82
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.2			
Beaver County	6.8			
Civilian labor force, no. of residents				
Pittsburgh[1]	986.1	103	106	104
Beaver County	59.7	64	66	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	888.9	101	101	100
Beaver County	48.9	63	64	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	759.8	116	116	115
Beaver County	39.5	104	104	105
Mfg. only, no. of jobs				
Pittsburgh[1]	127.6	58	57	57
Beaver County	9.4	24	25	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.6	n.a.	n.a.	n.a.
Beaver County	43.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	63	62	66
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	402.2	− 6		
Beaver County	19.4	+ 18		
Nonresidential contracts only				
Pittsburgh[1]	493.4	+ 8		
Beaver County	22.9	+ 55		

[1]1Allegheny, Fayette, Washington and Westmoreland Counties

[2]Beaver County

Factory job trends remain unimpressive. In Beaver County, jobs plunged between 1980 and 1985. Since then, they have drifted only slightly downward. In the Pittsburgh area, job levels have been drifting slightly upward since they bottomed out at the beginning of 1987 but they remain barely above all-time lows. The average workweek is up by more than two hours compared to last year's third quarter in Beaver County but it is down by 0.5 hour in the Pittsburgh region. Industrial power sales appear to be holding their own.

There is a large drop in the number of residents counted as employed in the third quarter after seasonal adjustment, the second consecutive decline in both the Pittsburgh area and Beaver County. In both regions, net outflows from the labor force have contributed to recent declines in jobless readings. Nothing on the horizon is likely to force the economy onto a higher growth path. A generally sluggish performance on the part of the nation's economy is likely to remain in force for several months. Until some improvement is noted nationwide, conditions are unlikely to improve in southwestern Pennsylvania.

State College

September's strong showing partially offset a sluggish employment performance in recent months, though it is not enough to prevent a minimal decline in third quarter seasonally adjusted employment. After peaking in March, adjusted employment had declined in three of five months prior to September. Third quarter typically results in a seasonal employment increase of 900. In the most recent three-month period, employment is up by 800 from the second quarter. Since 1988's third quarter, employment is up by 2,100, a gain strong enough to reduce unemployment by 500 and absorb an increase in the labor force totaling 1,500. The jobless rate is down 0.9 percentage point to 4 percent, unadjusted. Employment growth in 1989, at 4.9 percent, is up from the 1982-1988 average of 3.8 percent.

Nonfarm job growth, at 3.2 percent so far this year, is practically unchanged from the 3.3 percent averaged between 1982 and 1988. Factory jobs continue to climb upward at a slow pace. Compared to the first nine months of 1988, they are up 2.1 percent. Statewide, factory jobs are unchanged from a year ago. Although manufacturing does not play a large role in the Centre County economy, the danger is that the weakness evident in the factory sector nationwide will spread into other sectors, such as services and retail trade. It is through these indirect impacts that the region will feel the impacts of a manufacturing-led slump.

Nonmanufacturing continues to provide most new jobs in the region as third quarter finds 48,800 positions in these

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '89	3 Q '89	2 Q '89	3 Q '88
Employment *(in thousands)*				
Employed, no. of residents	62.1	147	147	142
Unemployed, no. of residents	2.6	99	104	120
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	64.7	144	145	141
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	56.6	142	140	136
Nonmfg. only, no. of jobs	48.8	145	143	139
Mfg. only, no. of jobs	7.9	124	124	121
Hrs. worked by production workers in mfg., ave. *weekly*	38.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	138	139	130
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	51.5	− 4		
Nonresidential contracts only	78.7	+ 78		

[1]Centre County

establishments, up 2,100 from a year ago and another record high after seasonal adjustment. Retail trade continues to be a strong performer in adding 500 jobs this year despite signs in the State that sales growth is slowing. Construction-related jobs are up by 100 on a year-to-date basis. New housing units authorized by permit appear to be holding steady according to a sample of permit issuing authorities. The value of residential construction contracts is off only slightly from a year ago so far in 1989. Contract values on the nonresidential side are up 78 percent. Recent economic trends are far from discouraging in Centre County. At worst, growth may have slipped a bit. Most indicators suggest that the economy continues to operate at a record high.

Northwestern Quarter

Erie

Throughout much of the 1980s, the Erie County economy performed poorly relative to the rest of the State. With the factory sector once again contributing to the region's economic gains, Erie County grew at a pace which was at least on par with the rest of the Commonwealth during 1987 and 1988 and arguably even higher. Statewide, several indicators suggest that economic growth has slowed this year. In the Erie metro area, signs of a slowdown are apparent in some trends, but they do not seem as prevalent as in the State as a whole.

The third quarter employment gain is not as strong as expected. At 128,400, employment during the July-September period is up by 1,800 from the second quarter. Past trends suggest that employment should rise by twice that amount. The end result is the second consecutive decline in seasonally adjusted employment. Still, employment so far this year is up by 5,000 from the first three quarters of 1988. Partly as a result of the region's strong employment showing in recent months, the jobless rate continues to move down. Third quarter's 4.4 percent reading is the lowest for the period since 1974. Some of the long-run decline in joblessness is the result of a net outflow of residents from the region. Between 1980 and 1987, 12,900 more residents left the County than moved into the region. The net outflow of residents translates into 4.6 percent of the 1980 population. Statewide, the net outflow amounted to 1.7 percent of the 1980 population.

Trends in nonmanufacturing remain impressive. The 81,500 nonfactory positions in the third quarter translate into a record high. Construction jobs are up slightly so far in 1989. The value of construction contract awards is also up this year. The results of a sample of appropriate authorities suggest that the number of new housing units authorized by permit is on the rise.

Factory job levels continue to move slowly upward in Erie County, just as they have since 1987. The 35,800 third quarter positions represent a gain of [illegible] from a year ago. The average workweek and sales of electricity to industry continue to fluctuate around record highs. Durable goods jobs are up by 500 on a year-to-date basis while nondurable goods positions are unchanged. These industries will again play a major role in determining the future health of the economy. Much of the sluggishnes in the nation's economy of late is attributable to a weakening industrial sector. Should those difficulties filter into Erie County, the region may be in for some rough times. However, should the U.S. factory sector rebound, as it has done in the past during this recovery, Erie County may be in for a period of strong economic growth.

Sharon

Despite a drop in the seasonally adjusted level of employment during the third quarter, the Mercer County economy remains on fairly solid ground. The number of residents officially listed as employed during the July-September period is unchanged from the second quarter at 50,800. The failure of the region to match the expected seasonal gain of 800 results in the adjusted decline. Still, so far this year, employment is up 6.3 percent from 1988. Statewide, the advance is 2.9 percent. Third quarter's 3.9 percent unadjusted jobless rate is the lowest for the period on record, dating back to 1970.

In absolute terms, the area's nonmanufacturing establishments continue to provide the bulk of all new jobs. Through this year's first nine months, nonfactory jobs have averaged

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	3 Q.'89	2 Q.'89	3 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	128.4	113	114	111
Unemployed, no. of residents	6.0	67	70	83
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	134.4	109	111	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	117.3	106	105	104
Nonmfg. only, no. of jobs	81.5	120	119	117
Mfg. only, no. of jobs	35.8	84	83	83
Hrs. worked by production workers in mfg., ave. *weekly*	42.9	104	104	105
Industrial electric power sales	***	110	117	115
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	71.1	+ 66		
Nonresidential contracts only	42.2	+ 1		

[1]Erie County

32,200, up by 1,300 from a year ago. The region's largest industry, services, has added 400 jobs so far this year while retail trade jobs are up by 600. At 4 percent, the increase in nonmanufacturing jobs so far this year is more than twice as large as Pennsylvania's 1.7 percent. However, nonfactory job growth in Mercer County has trailed that for Pennsylvania throughout much of the recovery. Between 1983 and 1988, job growth averaged 1.5 percent in the Sharon metro area compared to 3 percent Statewide. It will take more than a year or two of positive trends to make up for the ground lost earlier in the decade.

Manufacturing jobs have been on the rise in the region since 1987. Although several thousand factory jobs have been lost over the past decade, trends in these industries still are a major determinant of the overall economy's health. It was not just a coincidence that the current uptick in economic activity began at the same time that the factory sector started to move ahead. The 11,600 manufacturing jobs in the third quarter represent a gain of 500 from the same three months in 1988. For the year as a whole, durable goods jobs are up by 800 with primary metals, the largest industry, adding 200 new positions. However, there are some signs of softening in the manufacturing sector which suggests that the problems experienced of late by these industries nationwide may be filtering into Mercer County. Job growth appears to have eased considerably this year. On a seasonally adjusted basis, job levels in the third quarter are down slightly from first quarter readings. The average factory workweek, a leading indicator of hiring trends, stands at its lowest third quarter reading in three years.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	50.8	104	106	100
Unemployed, no. of residents	2.1	52	60	65
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	52.9	100	102	97
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.0	98	97	94
Nonmfg. only, no. of jobs	32.4	112	112	108
Mfg. only, no. of jobs	11.6	71	71	68
Hrs. worked by production workers in mfg., *ave. weekly*	40.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	114	116	117
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	13.6	− 6		
Nonresidential contracts only	12.3	+ 34		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Following Statewide and national trends, the pace of the economic expansion has slowed in the four counties of the Harrisburg-Lebanon-Carlisle metro area. However, this slowdown has done little damage to the region's reputation as being one of the strongest in the State. This strong performance in recent years is a major cause of the inflow of people into the region. In Cumberland, 7,900 more individuals moved into the County between 1980 and 1987 than migrated out. In Lebanon, the figure is 1,900. In Perry, there was a net inflow totaling 2,700. The lone exception to this trend is Dauphin County where there was a net outflow of people totaling 1,300. This may simply represent a flow of individuals to suburban counties within the metro area.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	321.9	125	127	123
Unemployed, no. of residents	12.1	80	74	86
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	334.0	122	124	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	308.3	124	123	122
Nonmfg. only, no. of jobs	256.4	133	132	129
Mfg. only, no. of jobs	51.6	94	95	95
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	71	90	90
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	219.6	+ 13		
Nonresidential contracts only	110.4	− 42		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

The slowdown has affected the nonmanufacturing sector as job levels are up 2.4 percent this year compared to the 1982-1988 average of 3.2 percent. Still, the 256,400 positions in these establishments during the third quarter represent another record high. The services industries have added 2,600 new jobs this year. Retail trade job growth, at 1.2 percent this year, is down considerably from the 4 percent gain averaged over the 1982-1988 period. This may reflect the general slowdown in sales growth Statewide.

Construction jobs are up by 100 on a year-to-date basis through the third quarter. There are conflicting signals as to the direction of building activity. The value of contracts for residential work is up 13 percent while it is down by nearly one-half on the nonresidential side. The number of new housing units authorized by permit is down by one-fifth from the

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	220.1	137	140	135
Unemployed, no. of residents	6.7	79	77	90
Rate, seasonally adjusted	3.0			
Civilian labor force, no. of residents	226.8	134	137	133
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	188.9	133	133	131
Nonmfg. only, no. of jobs	129.4	153	152	148
Mfg. only, no. of jobs	59.2	104	104	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	102	102	102
Industrial electric power sales	***	142	146	141
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	238.1	+ 15		
Nonresidential contracts only	97.1	+ 23		

[1] Lancaster County

first nine months of 1988 according to a sample of permit issuing places.

After rising in 1987 and holding steady in 1988, factory jobs have trended down this year. Third quarter's 51,600 positions represent a loss of 900 jobs relative to a year ago. In that the average workweek, at 39.5 hours, is the lowest third quarter reading since 1985, there is little likelihood of near-term improvement in the factory job situation.

Third quarter brought with it the second consecutive decline in seasonally adjusted employment. The 321,900 residents counted as employed represent an unadjusted gain of 4,100 from the second quarter. Typically, the third quarter results in a gain of 9,600. Compared to 1988:IIIQ, employment is up by 5,200. This is large enough to reduce the number of unemployed by 900 and absorb an inflow of 4,300 into the labor force. As a result, the jobless rate, at 3.6 percent, unadjusted, is down 0.3 percentage point from a year ago.

Lancaster

Third quarter deterioration in the resident employment data overstates the degree to which economic growth has slowed so far this year in Lancaster County. On a seasonally adjusted basis, employment is down 2.2 percent from second quarter readings. At 220,100, employment is up by 2,500 from a year ago. This represents the smallest advance since the final quarter of 1985. Still, for the year, employment is up 3.8 percent, slightly higher than the 3.3 percent gain averaged over the 1982-1988 period. Throughout 1989, jobless rates have been at their lowest levels since the early 1970s.

While growth is off a bit from previous years, nonfactory job totals continue to advance, albeit by just a slight 100 on a seasonally adjusted basis from the second quarter. The 129,400 positions in these establishments during the July-September period represent a gain of 4,200 from a year ago. Construction activity appears to be at least holding its own as job totals are up by 500 so far this year. The value of contracts awarded is up on both the residential and nonresidential sides. Results from a sample of authorities reporting the number of new housing units authorized by permit suggest that activity is up a bit from a year ago, though not by much.

After rising in every year but one since 1983, manufacturing jobs are on the decline. All told, there are 59,200 positions in these industries in the third quarter. For the year, jobs are off by 700 from the first nine months of 1988. On a more positive note, sales of electricity continue to climb, although somewhat erratically, and the average workweek remains at or near the record high. At best, manufacturing earnings are keeping up with prices. During the third quarter, average hourly earnings are up 4.5 percent from a year ago. Prices, as measured by the consumer price index, are up 4.7 percent.

A definite slowing trend is apparent in nonfarm job growth. Not only is growth down so far this year compared to the 1982-1988 period, but it has declined in each of the past two quarters. At 1.8 percent, annual job growth in the third quarter is down from 2.8 percent in the first quarter and 2.4 percent in the second. In summary, recent trends suggest that economic growth in Lancaster County has topped out. Nonetheless, most indicators suggest that the level of economic activity continues to move forward.

Philadelphia

Economic growth is minimal in the Philadelphia metropolitan area as most indicators suggest that activity is unchanged from a year ago. Nonfarm jobs are up a minimal 0.4 percent in the third quarter compared to a year ago. This growth rate is down from that in the first and second quarters of this year. Job growth over the past several years has differed considerably among the five Pennsylvania counties in the region. Between 1983 and 1988, job growth averaged 0.8 percent in Philadelphia County. Elsewhere, job gains averaged anywhere from 3.1 percent in Delaware County to 5.6 percent in Chester County.

It appears as if factory jobs will decline for the fifth straight year in the metro area. So far this year, jobs are off by 4,300 from the first nine months of 1988. The 364,100 positions in these industries during the third quarter represent a record low after seasonal trends are discounted. Durable goods jobs are down by 4,100 so far this year and nondurable goods jobs are off by 200. Despite the downtrend in jobs, industrial power sales, a proxy for production, continue to hover around record highs, as does the average workweek.

Although jobs continue to move forward, growth this year has slowed considerably on the nonmanufacturing side. Labor-management disputes distorted the August and September numbers, so third quarter trends are deceiving. During the first seven months of the year, jobs were up 1.4 percent from a year ago. During the previous six years, nonfactory job growth averaged 3.1 percent annually. Retail trade and services job gains this year are only about one-half their average from the 1982-1988 period.

While job levels are up by 1,300 through the first three quarters of 1989 to 105,500, other measures of construction activity in the region cast doubt on the industry's health. The value of residential contract awards is down 7 percent in 1989 while nonresidential values are up 13 percent. The number of new housing units authorized by permit is down more than one-fourth this year as all five Pennsylvania counties show a downtrend. On the nonresidential side, new permits are off 9 percent, with all of the decline concentrated in Bucks and Delaware Counties.

Philadelphia Area[1]

	Ave. mo. value 3 Q.'89	Average monthly index seas. adj. (1977 = 100) 3 Q.'89	2 Q.'89	3 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	2,347.1	123	125	123
Unemployed, no. of residents	93.8	51	50	56
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	2,440.9	117	119	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,175.8	119	120	119
Nonmfg. only, no. of jobs	1,808.8	131	132	131
Mfg. only, no. of jobs	364.1	82	82	82
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	102	102	101
Industrial electric power sales	***	112	115	113
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,394.5	− 7		
Nonresidential contracts only	1,454.7	+ 13		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Resident employment is down considerably in the third quarter on a seasonally adjusted basis from the previous three months. The 2,347,100 residents officially listed as employed during the July-September period represent a decline of 8,400 from a year ago, the first year-ago decline since the first quarter of 1983. As a result, the 0.4 percentage point drop in the jobless rate to 3.8 percent (not seasonally adjusted) over the year is deceiving. It is solely the result of a net outflow totaling 16,900 from the labor force.

Trends nationwide will again determine the course of the southeastern Pennsylvania economy into 1990. The outlook for the U.S. is for sluggish activity with barely enough growth to avoid a recession. As a result, the economic situation in the Philadelphia region is unlikely to improve over the short-term. Despite recent softening, the 1980s have been good for the region. This is reflected in the net growth in the population resulting from the movement of individuals into and out of the region. In Bucks, Chester, and Montgomery Counties, there was a net inflow of individuals equal to 4.2 percent of the 1980 population during the first eight years of the decade. In Philadelphia, 85,100 more people left the County than migrated in during the 1980-1987 period while the net outflow totaled 3,200 in Delaware County.

Reading

Trends through the third quarter suggest that although the Berks County economy is not immune to the economic slowdown apparent nationwide, the slowdown has not been as pronounced as in most other areas of the Commonwealth. The July-September period did bring with it the second consecutive quarterly drop in seasonally adjusted employment. The 173,600 residents listed as employed still represent a gain of 3,600 from the same period a year ago, the smallest advance in two years. The jobless rate continues to track downward as third quarter's seasonally adjusted 3.6 percent reading is the lowest since 1974.

At 2.5 percent in the third quarter, the annual growth in nonfarm jobs is down from first quarter's 3.3 percent gain. Still, it is the third strongest advance in the Commonwealth, trailing the gains in only the Sharon and State College areas. Nonmanufacturing job growth continues along at a respectable clip. Through the first nine months of the year, the number of nonmanufacturing positions is up 3.4 percent, a bit stronger than the 3.1 percent averaged during the previous six years. In the third quarter, nonmanufacturing jobs total 105,200, another new record after seasonal adjustment.

Building-related trends are positive as jobs in the "construction and mining" category are up by 400 on a year-to-date basis. The value of construction contracts awarded is also up nicely. A sample of permit issuing places suggests that the number of new housing units authorized by permit is also on the rise. Jobs in the services industries are up by 1,100 so far in 1989 while the retail trade industry has added 800 positions.

Even trends in the factory sector are fairly impressive. Though down a bit on a seasonally adjusted basis from second quarter readings, the 48,500 factory jobs in Berks County represent a gain of 700 from last year's third quarter. Trends in the average factory workweek and industrial power sales also are positive. Job levels are up 300 in each of the region's two largest manufacturing industries, electronic equipment and nonelectrical machinery/transportation equipment. Given that factory trends nationwide are softening and are expected to remain unimpressive, the next several months may not be quite as encouraging in the Reading metro area's manufacturing sector.

York

Most evidence points to a slowdown in the pace of economic growth in Adams and York Counties according to trends through September. Several years of solid gains prior to the current downtrend left the economy on solid ground. As with the State, it will take more than the weaknesses noted in recent months to bring about an appreciable slump. The slowing pace of the expansion is evident in nonfarm job growth. At 2.1 percent this year, job gains are off from the 3.2 percent advance averaged over the 1983-1988 period. At just 1.4 percent in the third quarter, job growth from a year ago is just one-half the first quarter gain. Statewide, job growth in the third quarter is 1 percent.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	173.6	126	128	123
Unemployed, no. of residents	6.0	73	73	84
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	179.6	123	124	121
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	153.9	117	117	114
Nonmfg. only, no. of jobs	105.2	131	130	127
Mfg. only, no. of jobs	48.5	96	96	94
Hrs. worked by production workers in mfg., *ave. weekly*	41.1	105	104	104
Industrial electric power sales	***	142	155	139
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	132.4	+24		
Nonresidential contracts only	121.5	+35		

[1] Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	215.1	137	140	135
Unemployed, no. of residents	8.8	90	82	92
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	224.0	134	137	133
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	178.0	126	126	124
Nonmfg. only, no. of jobs	117.2	143	142	139
Mfg. only, no. of jobs	60.8	102	104	103
Hrs. worked by production workers in mfg., *ave. weekly*	41.6	102	101	104
Industrial electric power sales	***	108	115	126
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	186.8	+ 4		
Nonresidential contracts only	56.7	-49		

[1] Adams and York Counties

Through 1988, factory job levels had risen two straight years and in three of the past five. During the first half of this year, manufacturing jobs rose 900 from a year ago. During the third quarter, they are off by 400 compared to the July-September period in 1988 as they stand at 60,800. For the year, durable goods jobs are up by 400 and nondurables by 100. The average workweek, although up a bit from second quarter readings, has been on an erratic decline since the beginning of 1988. Industrial power sales have also declined in recent months.

During the 1982-1986 period, nonmanufacturing job growth averaged a sound 4 percent as these industries generated the bulk of all new jobs. This year, these industries continue to add jobs, but at a slower rate as job growth has declined to 2.8 percent. The third quarter finds 117,200 positions in these establishments, another record high after seasonal adjustment. Construction jobs are up by 300 this year. The value of residential contracts is up only minimally while nonresidential values have declined. The number of new housing units authorized in Adams County is down by one-fourth so far this year but the number of nonresidential permits is up one-fifth. A sample of permit issuing authorities in York County suggests that residential permitting activity is down there, too.

Typically, the third quarter results in an additional 5,100 residents counted as employed compared to the previous three months. This year, employment is actually down from the second quarter, resulting in a steep seasonally adjusted decline. Still, the 215,100 residents counted as employed in the third quarter represent a gain of 2,100 over the year. This helps absorb a net inflow into the labor force totaling 1,900 and reduce the number of unemployed by 300. As a result, the jobless rate, at 3.9 percent before seasonal adjustment, is down 0.2 percentage point from last year's third quarter reading.

— *William D. Anderson*

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LITTLE IMPROVEMENT NOTED IN OCTOBER...

although recovery is yet to be derailed

Led by the service and retail trade industries, the Pennsylvania nonagricultural job picture brightened in October. Nonfarm jobs total 5,159,000, up 35,000 from September. Typically, jobs advance by just 22,000. October job totals represent an all-time high. Still, **growth in nonagricultural jobs so far this year, at 1.4 percent, is down from the 2.1 percent average from the previous five years.** Other indicators of economic activity suggest that growth continues to slow from its record-setting pace of 1987 and 1988.

There has been a noticeable reversal in the retail sector's performance in recent months. Although still below February's record reading, **retail trade job levels have advanced in each of the past two months after seasonal adjustment. Gains in August and September sales have been the strongest of the year. September's 8.1 percent sales gain from a year ago is the second largest gain since May 1988. A good portion of the strength is again attributable to the automotive sector as sales apparently surged prior to the introduction of higher-priced 1990 models.** Despite the recent uptick in automotive-type sales, up 9.2 percent in September from a year ago, trends so far this year show auto-related sales off 3.4 percent from the first nine months of 1988.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	September	Pct. chg.	Year-to-date	Pct. chg.
Total	6,853	8.1	59,007	3.7
Durables	2,527	8.0	22,053	0.6
Bldg. mat.		-12.1		-4.9
Auto dlrs.		9.2		-3.4
Furniture		11.1		17.6
Other		20.9		7.2
Nondurables	4,326	8.1	36,954	5.5
Gen. mdse.		2.3		0.5
Food/grocery		9.6		5.5
Gas		8.1		4.6
Apparel		3.7		5.7
Eat/drink		4.3		5.5
Drugs		15.7		11.7
Other		19.8		10.8
Seas. adj. total: September		7,034		
August		6,974		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

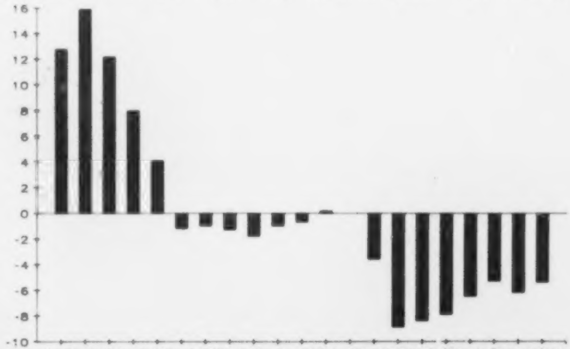
Beginning with this issue of the *Pennsylvania Business Survey*, trends in new vehicle (cars and light trucks) registrations will be tracked on a monthly basis. The data will be presented in tabular form showing the most recent monthly tally, a year-to-date reading, and a total for the past 12 months along with percent changes from the same readings a year ago. In September, the 69,296 new vehicle registrations recorded represent a gain of just 0.2 percent from September 1988. So far this year, 527,647 new vehicles have been registered in the Commonwealth, down 5.4 percent from the first three quarters of 1988. During the 12-month period ending in September, nearly 700,000 new registrations have been recorded, down 2.6 percent from a similar 12-month period ending in September 1988. There is a definite downtrend in year-to-date registrations growth going back to early 1988 (chart). **YTD registration totals have remained below a year ago every month this year, although the degree of the dropoff appears to be lessening.** These trends are similar to and support trends in auto-related retail sales. The

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
September	69,296	0.2
1989 YTD	527,647	-5.4
12-month total	698,098	-2.6

Source: R.L. Polk & Co.

YEAR-TO-DATE GROWTH IN PENNSYLVANIA NEW VEHICLE REGISTRATIONS
(percent change from YTD total in year-ago month)



SOURCE: R.L. POLK & CO.

new car market is off from year ago readings, but some improvement is evident in recent months. (Special thanks go to R.L. Polk & Co. of Detroit, Michigan for providing these data. The R.L. Polk staff has been especially helpful in recent months as plans were made to present this information in an appropriate fashion. The data are a welcome addition to the *PBS* and will enable us to better track economic activity in the Commonwealth, especially as it relates to spending patterns.)

New Pennsylvania building permit authorizations (percent change from year ago)

	Oct.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,793	−13.0	40,913	−15.0
Nonresidential	1,945	2.7	19,554	− 5.0

Source: U.S. Dept. of Commerce, Bureau of the Census.

Construction activity remains questionable. Although job levels remain at or near record highs, some indicators of the volume of activity continue to point down. For the year, new housing units authorized by permit are down 15 percent. A 5 percent decline is noted for nonresidential projects. The value of construction contract awards is down in October on a seasonally adjusted basis. So far this year, contracts are up 7.3 percent in value.

Somewhat surprisingly, the September gain in State and local government jobs is not reversed in October. In fact, job levels actually advanced by an additional 1,000 on a seasonally adjusted basis. While gains in State and local public sector employment picked up beginning in 1986/1987, growth over the past several years trails considerably the

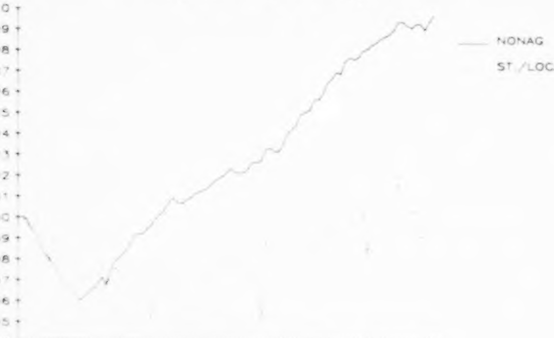
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Sept.	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,124*	5,159	5,103	5,100*	5,113	5,059	111.7	112.0	110.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,071*	4,107	4,042	4,057*	4,067	4,002	125.9*	126.2	124.2
Mining	28	28	29	28	28	29	57.7*	57.3	59.8
Contract construction	258	257	250	243	243	236	132.1*	131.8	128.2
Transportation	150	152	151	148*	148	148	92.2*	92.2	91.8
Public Utilities	103*	103	104	104	103	105	102.8*	102.6	103.8
Wholesale trade	270*	270	271	269*	270	271	121.3*	121.7	122.2
Retail trade	885*	892	889	883	886	883	123.1	123.5	123.1
Finance, insurance & real estate	298	297	292	297	297	293	136.7*	136.7	134.6
Service & miscellaneous	1,390*	1,401	1,352	1,384*	1,391	1,342	160.4*	161.3	155.6
Federal government	140	139	139	140	140	140	109.5	109.0	109.3
State & local government	548*	569	563	561*	562	556	96.3*	96.4	95.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,049*	1,048	1,059	1,043*	1,045	1,057	77.7*	77.9	78.8
Durable goods	593*	592	605	590	592	605	72.9*	73.1	74.7
Nondurable goods	456	455	455	452	454	453	85.0	85.2	85.1
Ave. wkly. hrs. worked by prod. workers	40.6*	40.5	41.2	40.4*	40.5	41.2	102.2*	102.5	104.2
Total wkly. person-hours worked (mils.)	29.4*	29.4	30.1	29.1*	29.2	29.9	75.9*	76.2	78.0
Total wkly. payroll (mil. dols.)	313.9*	313.4	311.2	310.1*	312.4	310.4	138.0*	139.1	138.1
Average hourly earnings (dollars)	10.66	10.68	10.36	10.63	10.69	10.37	181.7*	182.7	177.2
Average weekly earnings (dollars)	432.80	432.54	426.83	430.65	432.54	427.19	186.2*	187.0	184.7
Steel production (thous. tons)	831	883	1,187	n.a.	n.a.	n.a.	44.5	42.2	56.9
Industrial electric power sales (mil. kwh)	3,805	3,709	3,863	3,745	3,633	3,831	101.4	98.4	103.7
Mining									
Anthracite coal (thous. net tons)	322	373	384	294	292	304	60.3	59.8	62.2
Bituminous coal (thous. net tons)	6,220	7,059	5,876	6,037	6,455	5,287	85.6	91.5	75.0
Construction contracts awarded (mil. dols.)									
Total	845.5	920.6	757.0*	871.3	832.5	753.0*	270.8	258.8	234.1*
Residential building	444.5	383.7	385.1*	422.9	353.8	379.9*	300.5	251.4	270.0*
Nonresidential building	294.5	444.6	250.6*	313.2	363.6	213.5*	288.7	335.2	196.8*
Nonbuilding (utilities and public works)	106.4	92.4	124.3*	135.2	115.1	159.6*	186.5	158.8	220.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,625	5,598	5,514	5,571	5,528	5,443	115.9	115.0	113.3
Unemployed									
No. of persons (thous.)	237	259	294	243	274	310	60.5	68.2	77.4
Rate (percentage of labor force)	4.0	4.4	5.1						
Rate, seasonally adjusted				4.1	4.6	5.4			
Civilian labor force, no. of persons (thous.)	5,862	5,857	5,807	5,814	5,802	5,753	111.7	111.4	110.5
Initial claims for unemployment benefits	65,803	87,258	63,887	88,493	100,525	76,832	61.8	70.2	53.7

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month*	*Year*
	Sept.	*Oct.*	*Oct.*	*Ago*	*Ago*
U.S. city average	125.0	125.6	120.2	0.5	4.5
Philadelphia	130.2	130.5	124.6	0.2	4.7
Pittsburgh	n.a.	121.7	116.3	n.a.	4.6

[1] Total includes workers on strike.   * = figure revised   & = figure for September 1988   n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA NONAGRICULTURAL AND STATE/LOCAL GOVERNMENT JOB TRENDS
(Jan. 1982=100)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

advances in the nonfarm sector as a whole (chart). **Since 1983, state and local government employment is up just 3.2 percent in Pennsylvania. Nonfarm jobs are up 12.4 percent.**

In terms of jobs, the manufacturing sector turned in one of its better performances in recent months in October. Job levels are up on a seasonally adjusted basis, only the third gain this year. Job levels, however, remain below year-ago readings. Hours worked are up slightly. Earnings show some improvement in October, though recent trends suggest that they are not keeping up with the overall level of prices. Sales of electricity to industrial customers are off from September readings, as is average daily steel output from the Commonwealth's mills.

While the nonfarm job picture is somewhat upbeat, **deterioration is noted in October trends in resident employment and unemployment.** The jobless rate is up a seasonally adjusted 0.5 percentage point from September to stand at 4.6 percent. This ties the May reading for the highest of the year, but it is still down 0.8 percentage point from a year ago. The number of residents counted as employed is down by more than 40,000 on a seasonally adjusted basis. Compared to a year ago, employment is up by 84,000 residents. Some argue that the Commonwealth is operating at levels of full employment. As a result, they argue it is unrealistic to expect further significant improvement on the employment/unemployment front. **Given that considerable underemployment, a situation in which workers are not fully utilizing their productive skills, probably remains, it is debatable as to whether the current situation passes the full employment test.** At the least, demographic trends, most notably a slow-growing working-age population, are likely to give the impression of tight labor markets.

Taken as a whole, **October brings with it no convincing evidence of an imminent reversal of the recent downtrend in overall economic growth.** Indeed, the Pennsylvania index of leading economic indicators is down for the month (chart). Given the mounting evidence of a weakening national economy, only the most optimistic expect a turnaround in the near future. Year after year, the most important factor influencing Pennsylvania's economic performance is what happens nationwide. Until conditions improve in the U.S. as a whole, the likelihood of an uptrend in growth in Pennsylvania is minimal. Nonetheless, **recent trends and current conditions do not suggest that the weakness noted of late in Pennsylvania will usher in a recession or even an appreciable slump. The outlook calls for a continuation of recent trends which, although not overly impressive, still represent a continuation of the economic recovery which began in 1982/1983.**

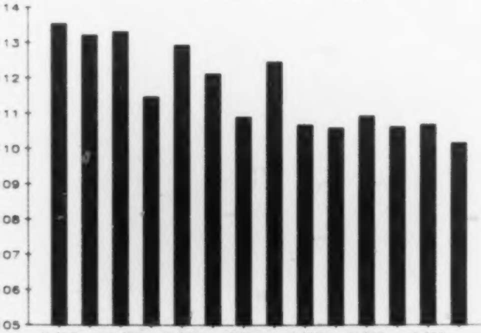
— William D. Anderson

Personal Income Report

Pennsylvania personal income trends through this year's second quarter (the most recent information available) are suprisingly strong in light of the generally sluggish pattern evident in most other indicators of the economy's health. Recent issues of the *Pennsylvania Business Survey* have highlighted the apparent weakness in factory, construction, and retail activity which has pulled down overall economic growth. While the growth in retail sales, housing permit authorizations, and manufacturing production (as measured by the Pennsylvania Manufacturing Activity Index) through the first half of this year is down compared to the previous five years, personal income gains are a bit stronger this year (chart).

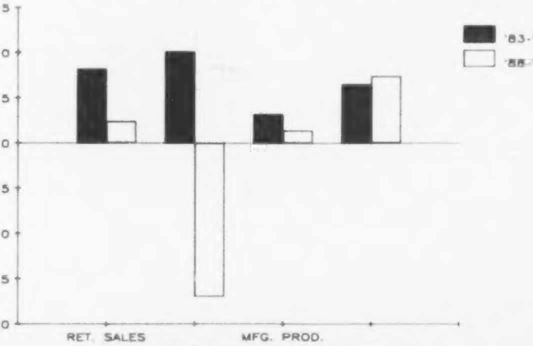
Personal income totals $207.4 billion in the April-June period of 1989 in Pennsylvania for a gain of 2.1 percent from

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

RECENT TRENDS IN SEVERAL INDICATORS OF PENNSYLVANIA ECONOMIC ACTIVITY
(avg. ann. pct. chg., 1983-1988 and 1988-1989 YTD)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

Pennsylvania personal income
(seas. adj. ann. rate; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Qt. ago	Yr. ago
1989:IIQ	207,350	2.1	8.0	206,213	2.1	7.9
1988:IQ	203,109	1.2	7.2	201,893	1.1	7.0
1989 YTD	205,230	n.a.	7.6	204,053	n.a.	7.4

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

the previous quarter and 8 percent from a year ago. Growth is up from first quarter readings. A solid showing is also evident as it relates to nonfarm personal income. Income growth in 1988 and 1989 has been the strongest of the recovery period, dating back to the early 1980s. On the negative side, gains in real (inflation-adjusted) income are not quite as impressive. For the past three quarters, real income has grown at an average rate of 2.5 percent. In the four quarters before that, from 1987:IVQ-1988:IIIQ, real growth averaged above 3 percent.

Throughout the past several months, an attempt has been made in the *Survey* to downplay the likelihood of a recession in the near-term. The most recent trends in personal income provide further proof that the Pennsylvania economy is not on the brink of an appreciable slump.

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1989 DRAWS TO A CLOSE WITH LITTLE MOMENTUM

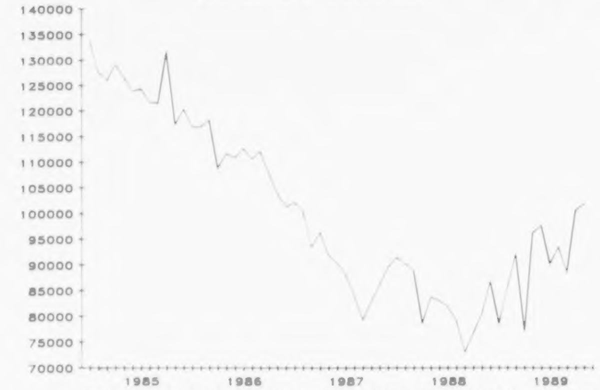
Although November may have brought some improvement, trends during the final months of 1989 continue to suggest that economic growth in Pennsylvania is on the decline. This comes on the heels of more than two years of solid gains which apparently left economic activity at a post-recession high at the beginning of 1989. The slowdown comes some six to seven years into the current expansion in the Commonwealth. Nationally, the recovery is the second longest on record, trailing only the expansion of the 1960s, fueled, in part, by the Vietnam War. **As the situation currently stands, the slowdown does not represent the "beginning of the end" of the expansion in Pennsylvania. At worst, recent trends represent the onset of a prolonged period of sub-par, but still positive, growth. At best, they are setting the stage for renewed growth.**

One consequence of the slowdown appears to be some upward pressure on unemployment. Despite a strong rise in employment of more than 100,000, the number of Pennsylvanians officially listed as unemployed in November is up by 50,000 from the previous month on a seasonally adjusted basis. The jobless rate leaped 0.8 percentage point to 5.4 percent, seasonally adjusted. These measures of unemployment represent the highest readings in nearly two years. Trends in December show a holding pattern, suggesting that the November uptick is probably not a "statistical fluke." At the same time, they show that employment remains at a level which is down only slightly from record highs recorded earlier in the year.

Trends in the number of initial claims for unemployment insurance in Pennsylvania during the past several months suggest that **continued upward pressure on joblessness is likely.** Initial claims, a leading indicator of future unemployment trends, have been rising since the final months of 1988 (chart).

Measures of construction activity continue to point down. If anything, **the dropoff in the number of new housing units authorized by permit has become more pronounced of late.** During November, 16.1 percent fewer new units were authorized compared to a year ago. For the year, permits are off more than 15 percent compared to the first 11 months of 1988. On the nonresidential side, 16.5 percent fewer projects were authorized by permit in November while the year-to-date decline has totaled 5.9 percent. The value of construction contracts awarded is also down in November, both from the previous month and from a year ago. Still, employment in the construction industry remains at record high readings.

INITIAL CLAIMS FOR PA UNEMPLOYMENT INSURANCE
(seasonally adjusted)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

The growth in retail sales remains positive, but far from impressive. October's 3 percent gain over a year ago is apparently not enough to keep up with gains in prices and it falls short of the 3.3 percent advance averaged through the first ten months of 1989. Gains in the U.S. have been stronger than in the Commonwealth in 16 of the past 17 months after a prolonged period in which Pennsylvania outperformed the nation. Jobs in retail trade establishments during November are down on a seasonally adjusted basis from October and are up only a minimal 300 from a year ago. **The rapid pace of expansion in these industries in years past has apparently come to an end.**

For the nonmanufacturing sector as a whole, job levels continue to move forward as they stand at another record high of 4,120,000 in November. Over the course of the year, growth has diminished. During the first half of the year, job growth totaled 1.9 percent from a year ago. Since then, it has come in at 1.5 percent. Over the 1982-1988 period,

New Pennsylvania building permit authorizations (percent change from year ago)

	Nov.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,175	−16.1	43,920	−15.2
Nonresidential	1,254	−16.5	20,735	− 5.9

Source: U.S. Dept. of Commerce, Bureau of the Census.

growth averaged 2.6 percent each year. **Most likely, this slowdown in nonfactory job growth is simply a reflection of the overall slowing in the economy's rate of growth. Some argue that this slowdown is reflective of an economy at or near full employment.** They contend that job growth has receded as the available pool of workers has dwindled.

Not surprisingly, the service industries continue to exhibit solid job growth. Since November 1988, 51,800 new jobs in these establishments have been added. Health services, the largest industry, has generated 17,400 additional jobs over the year. Business services, the second largest industry, has added 15,000 jobs over the same period. Recent issues of the *PBS* have reported a sharp uptick in the "State and local government" job category of late. Year-over-year comparisons suggest that the bulk of the gain is in local government. Since November 1988, local government jobs are up 7,500 while State government jobs are up just 2,000.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
October	47,299	− 14.9
1989 YTD	574,946	− 6.3
12-month total	689,787	− 4.3

Source: R.L. Polk & Co.

The Commonwealth's manufacturing industries continue to tread water according to recent job trends. Minimal gains in both October and November come on the heels of declines in seven of the eight previous months after adjustment for normal seasonal ups and downs. As

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Oct.	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,163*	5,170	5,112	5,116*	5,124	5,065	112.1*	112.2	110.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,111*	4,120	4,049	4,072*	4,078	4,007	126.3*	126.5	124.3
Mining	28	28	29	28	28	29	57.5*	58.1	59.8
Contract construction	257	251	244	243	244	237	132.1*	132.7	128.7
Transportation	152	152	151	148	149	149	92.0*	92.7	92.3
Public Utilities	103	103	104	103	103	104	102.7*	102.5	103.7
Wholesale trade	270	271	272	270	270	272	121.7	122.0	122.4
Retail trade	891*	902	902	885*	884	884	123.4*	123.3	123.2
Finance, insurance & real estate	298*	298	293	298*	299	293	137.1*	137.2	134.8
Service & miscellaneous	1,401	1,399	1,347	1,392*	1,396	1,344	161.3	161.9	155.8
Federal government	139	138	139	140	139	140	109.1	108.8	109.0
State & local government	572*	579	569	564*	566	557	96.8	97.2	95.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,047*	1,048	1,060	1,045	1,046	1,059	77.9	78.0	78.9
Durable goods	591*	593	606	591*	592	605	73.0*	73.1	74.8
Nondurable goods	456*	455	454	454	454	453	85.3*	85.4	85.1
Ave. wkly. hrs. worked by prod. workers	40.6*	40.8	41.6	40.6*	40.4	41.2	102.7*	102.2	104.2
Total wkly. person-hours worked (mils.)	29.3*	29.5	30.3	29.2	29.2	30.0	76.1*	75.9	78.0
Total wkly. payroll (mil. dols.)	312.7*	315.6	315.8	311.8*	310.3	310.6	138.8*	138.1	138.3
Average hourly earnings (dollars)	10.66	10.70	10.41	10.67	10.67	10.38	182.4*	182.4	177.4
Average weekly earnings (dollars)	432.80	436.56	433.06	432.80	430.11	426.84	187.1*	185.9	184.5
Steel production (thous. tons)	883	757	1,081	n.a.	n.a.	n.a.	42.2	38.9	55.5
Industrial electric power sales (mil. kwh)	3,709	3,583	3,753	3,633	3,713	3,858	98.4	100.5	104.5
Mining									
Anthracite coal (thous. net tons)	373	339	307	292	290	267	59.8	59.3	54.6
Bituminous coal (thous. net tons)	7,059	6,497	5,767	6,455	6,650	5,883	91.5	94.3	83.4
Construction contracts awarded (mil. dols.)									
Total	920.6	692.5	772.7*	832.5	741.9	831.3*	258.8	230.6	258.4*
Residential building	383.7	295.2	364.3*	353.8	351.6	430.7*	251.4	249.8	306.0*
Nonresidential building	444.6	310.7	327.3*	363.6	269.6	287.3*	335.2	248.5	264.8*
Nonbuilding (utilities and public works)	92.4	86.6	86.0*	115.1	120.7	113.3*	158.8	166.5	156.3*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,598	5,639	5,529	5,528	5,638	5,524	115.0	117.3	114.9
Unemployed									
No. of persons (thous.)	259	303	250	274	322	267	68.2	80.2	66.7
Rate (percentage of labor force)	4.4	5.1	4.3						
Rate, seasonally adjusted				4.6	5.4	4.7			
Civilian labor force, no. of persons (thous.)	5,857	5,943	5,779	5,802	5,959	5,791	111.4	114.5	111.2
Initial claims for unemployment benefits	87,258	100,857	81,982	100,525	101,772	80,471	70.2	71.1	56.2

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month*	*Year*
	Oct.	*Nov.*	*Nov.*	*Ago*	*Ago*
U.S. city average	125.6	125.9	120.3	0.2	4.7
Philadelphia	130.5	130.1	125.3	−0.3	3.8
Pittsburgh	121.7	n.a.	116.3&	n.a.	4.6

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[1] Total includes workers on strike. * = figure revised & = figure for October 1988 n.a. = data not available

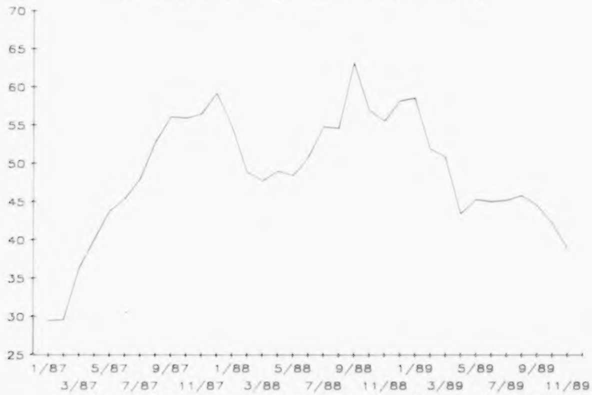
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	October	Pct. chg.	Year-to-date	Pct. chg.
Total	6,767	3.0	65,614	3.3
Durables	2,386	2.2	24,366	0.5
Bldg. mat.		− 0.9		− 4.6
Auto dlrs.		− 3.5		− 3.8
Furniture		19.1		17.9
Other		13.6		7.7
Nondurables	4,381	3.5	41,248	5.1
Gen. mdse.		− 2.0		0.1
Food/grocery		1.1		4.6
Gas		7.1		4.9
Apparel		− 3.9		4.3
Eat/drink		4.9		5.4
Drugs		16.7		12.1
Other		14.4		10.6
Seas. adj. total: October		6,804		
September		6,874		

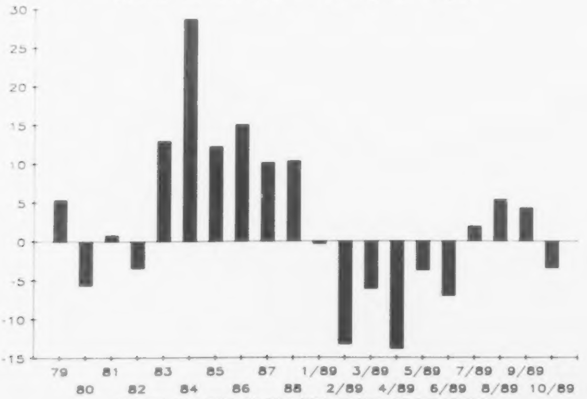
Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

PA AVERAGE DAILY STEEL PRODUCTION
(seasonally adjusted; 1977=100)



SOURCE: AMERICAN IRON AND STEEL INSTITUTE; PSU, CTR. FOR REG. BUS. ANALYSIS.

PA AUTO DEALERS' RETAIL SALES GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS.

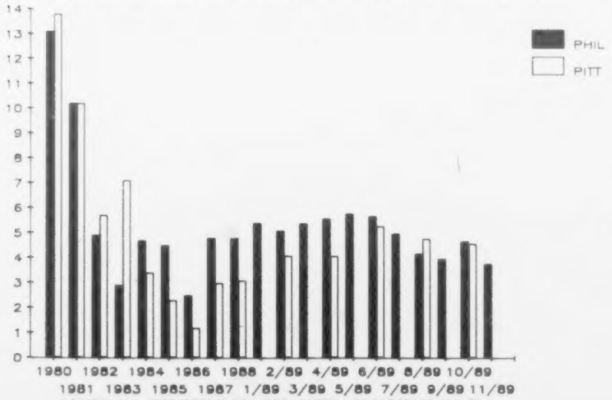
a result, job levels in November fall 12,000 short of year-ago totals. After rising considerably since 1987 following the resolution of a labor-management dispute, average daily steel production in Pennsylvania peaked in late 1988 and has declined since (chart). Because of its role as a supplier to numerous goods-producing industries, the primary metals industry is heavily influenced by trends in the factory sector as a whole. Other indicators of the factory sector's health including hours worked, payrolls, and earnings, also suggest that these industries are struggling. The Pennsylvania Manufacturing Activity Index, despite a slight uptick in November, has been trending down of late, suggesting that output is on the decline.

Nationally, much of the weakness in the factory sector can be traced to the auto industry. In Pennsylvania, auto-related retail sales are down this year after six years of solid gains (chart). Interestingly, there was some positive growth during the third quarter, probably as a result of a rash of vehicle purchases in response to incentives at the close of the model year. The October data suggest a return to negative growth. The apparent sluggishness in auto sales in Pennsylvania continues to be confirmed by trends in new vehicle registrations which continue to decline. Through October, 6.3 percent fewer new vehicles have been registered in Pennsylvania than in the first ten months of 1988.

Price trends in the Pittsburgh and Philadelphia regions merit monitoring in coming months as a change may be in the offing. Based upon changes in the Consumer Price Index (CPI), inflation in Pittsburgh was higher than in the Philadelphia area during the early 1980s (chart). Beginning in 1984, just as the southeastern Pennsylvania economy was expanding briskly and western Pennsylvania was lagging, the situation reversed itself. Recently, price gains in the Pittsburgh area have been more in line with those in Philadelphia. **In August, the increase in the CPI was higher in Pittsburgh than in Philadelphia. In October, the increase in prices was only slightly higher in southeastern Pennsylvania relative to the west. It may be that the more balanced pattern of intrastate growth highlighted in recent issues of the *Survey* is having an impact on price trends.**

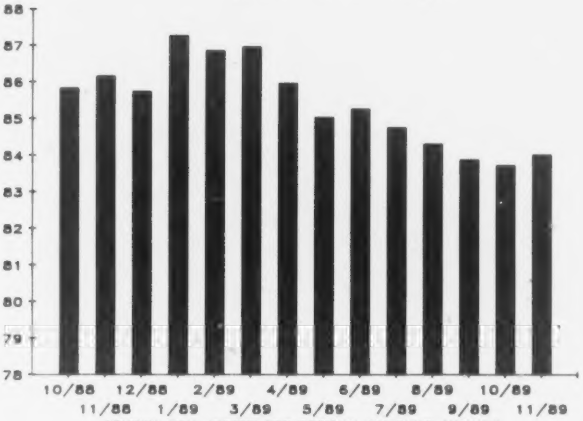
The recent slowing in the pace of economic growth is evident in the Pennsylvania index of coincidental indicators, designed to move with current trends in the economy. The trend throughout 1989 has been down, despite

PHILADELPHIA AND PITTSBURGH INFLATION RATES
(percent change from year ago in the CPI)



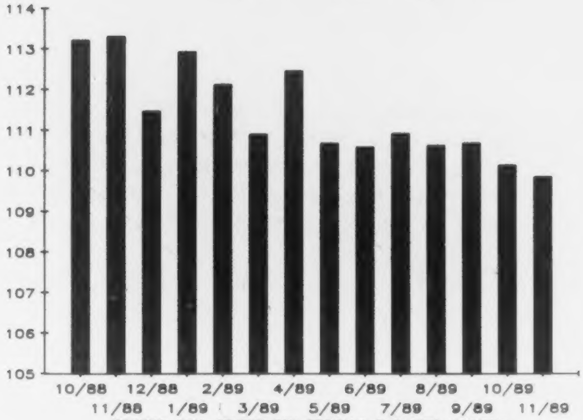
SOURCE: U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

PENNSYLVANIA COMPOSITE INDEX
OF COINCIDENTAL INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

a slight rise in November when the positives appear to have just outweighed the negatives (chart). Such a trend certainly supports the case of those arguing that the rate of growth in the Pennsylvania economy has slowed of late, an argument presented many times in recent months in the *Pennsylvania Business Survey*. If trends in the Pennsylvania index of leading indicators are a sign of things to come, the next several months are unlikely to bring much relief. The index has increased only four times through the first 11 months of 1989 (chart) and only once since July.

— William D. Anderson

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YEAR-END REVIEW AND OUTLOOK

Despite Some Softness, 1990 Should be Another Year of Growth

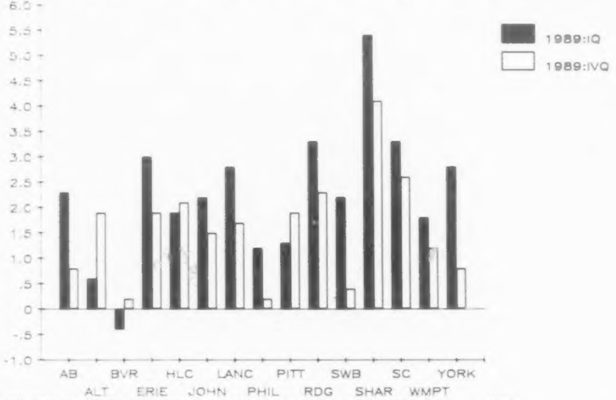
One theme has tied together the past several issues of the *Pennsylvania Business Survey*. **While the economy continues to move forward, most indicators show at least a modest decline in the rate of growth as 1989 progressed.** In terms of job growth, the slowdown appears to be widespread across the State. Nonfarm job growth declined between the first and fourth quarters of 1989 in 11 of the Commonwealth's 15 metro areas (chart). All things considered, the evidence taken as a whole suggests that economic growth peaked early in 1989 and has slowed from record high readings ever since.

A review of the qualitative-type forecast presented in the *PBS* a year ago shows that our expectations were quite accurate. As expected, employment did rise to another record and the jobless rate came in well below 5 percent. Income and spending continued to rise, though not as briskly as in previous years. The picture in manufacturing is best characterized as holding steady with the first half of the year slightly stronger than the final six months. In terms of jobs, the service-producing industries continued to be the engine of growth. Housing was weak during the year, especially relative to the brisk pace of activity in the mid 1980s. The apparent satisfaction of pent up demand and a questionable economic outlook combined to limit new housing construction. Pennsylvania responded as expected to trends nationwide which, year after year, continue to determine the pace of activity in the Commonwealth.

Taken as a whole, **1989 was a good year on the employment/unemployment front.** For the fifth straight year, a record number of Pennsylvanians were counted as employed. The official employment reading of 5,592,000 represents a gain of 2.2 percent from 1988, pretty much in line with the average gain of 2.4 percent recorded over the 1983-1988 period. These results would have been more impressive were it not for a noteworthy deterioration in trends as the year wore on. After peaking in March employment declined on a seasonally adjusted basis in six of the next nine months. The 122,000 additional residents counted as employed in 1989 relative to 1988 helped absorb a net inflow into the labor force totaling 93,000 and reduced the number of unemployed by 29,000. As a result, the jobless rate fell another 0.6 percentage point to 4.5 percent, the lowest it has been since a similar reading in 1970. **However, as the year came to a close, there were some worrisome signs on the unemployment front as the number of residents listed as without a job exceeded year ago readings in November and December, a trend which continued into January.**

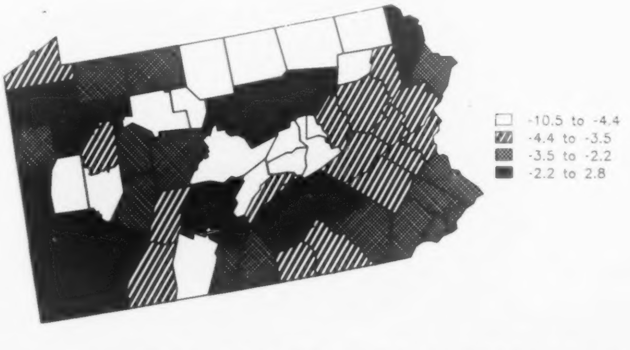
All but two counties witnessed a decline in annual employment growth between January and December. In percentage point terms, the decline was most pronounced in several counties in central and northern Pennsylvania and in the Scranton-Wilkes-Barre and Allentown-Bethlehem regions (chart). In some cases, large declines in employment growth

PA METRO AREA NONFARM JOB GROWTH
(percent change from year-ago quarter)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

CHANGE IN COUNTY EMPLOYMENT GROWTH FROM
JAN. TO DEC. 1989
(percentage point change in annual employment growth rates)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

are associated with relatively large employment growth rates initially. Southwestern and southeastern Pennsylvania had the smallest declines.

Improvement in the employment/unemployment situation over the past several years has given rise to concerns of a labor shortage in Pennsylvania. Several times in the past in the *Survey*, these concerns have been downplayed. **While employers in some regions undoubtedly face difficulties in hiring workers, most likely at the lower end of the pay scale and for those positions requiring special skills, circumstantial evidence suggests that the problem is probably not Statewide.** Labor force participation rates represent a useful measure of labor market tightness. Statewide, 49.3 percent of the population was counted as in the labor force in 1988. Every county west of Centre County had participation rates below average, often by a considerable amount (chart). Just the opposite is true for the eastern half of the Commonwealth. This evidence suggests that where problems do exist, they are probably regionalized. These problems appear to be concentrated in eastern Pennsylvania, especially in the southeast. (Since this analysis is carried out at the county level, total population figures had to be used in calculating participation rates as working age population data are not available. Hence, the results are not adjusted for those "nonworking age" portions of the population. Nonetheless, the obvious geographical patterns in the data support the contentions highlighted here.) Still, demographic trends (especially slow growth in the working age population) are likely to limit employment growth in coming years, if they have not already done so. As a result, caution should perhaps be

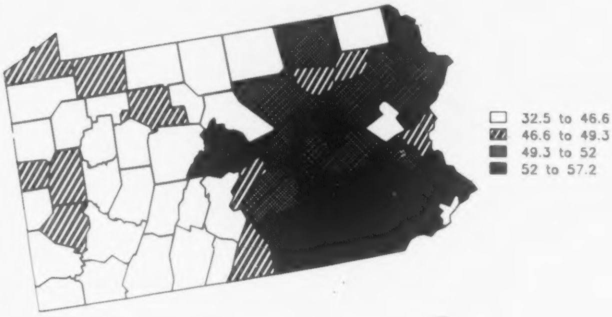
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,168*	5,151	5,108	5,122*	5,114	5,071	112.2	112.0	111.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,119*	4,106	4,047	4,076*	4,072	4,013	126.5	126.3	124.5
Mining	28	28	29	28	28	29	58.1	58.5	60.4
Contract construction	252*	238	235	245*	241	238	133.1*	130.9	129.3
Transportation	152	153	152	149	150	149	92.5*	93.2	92.8
Public Utilities	103	103	104	103	103	104	102.6*	102.4	103.3
Wholesale trade	271	272	273	271*	271	272	122.2*	122.3	122.8
Retail trade	900*	905	912	882*	876	883	122.9*	122.2	123.2
Finance, insurance & real estate	298	298	293	298*	299	294	137.1*	137.3	135.0
Service & miscellaneous	1,398*	1,395	1,345	1,395*	1,399	1,348	161.8*	162.2	156.3
Federal government	139*	139	139	140*	139	140	109.0*	108.8	108.9
State & local government	579	575	566	566	567	557	97.2	97.2	95.5
Manufacturing									
No. of wage and salary jobs (thous.)	1,047*	1,043	1,060	1,046*	1,042	1,058	77.9*	77.6	78.9
Durable goods	593	591	606	592	591	605	73.1	73.0	74.7
Nondurable goods	455	452	454	454	451	453	85.4	84.8	85.2
Ave. wkly. hrs. worked by prod. workers	41.1*	40.7	41.1	40.7*	40.1	40.5	103.0*	101.6	102.5
Total wkly. person-hours worked (mils.)	29.7*	29.3	30.0	29.3*	28.9	29.5	76.4*	75.4	77.0
Total wkly. payroll (mil. dols.)	318.5*	316.9	313.7	313.1*	310.1	306.9	139.4*	138.0	136.6
Average hourly earnings (dollars)	10.72	10.80	10.47	10.69	10.72	10.40	182.7*	183.3	177.8
Average weekly earnings (dollars)	440.59	439.56	430.32	434.08	429.26	420.36	187.6*	185.6	181.7
Steel production (thous. tons)	757	808	1,058	n.a.	n.a.	n.a.	38.9	42.1	55.5
Industrial electric power sales (mil. kwh)	3,583	3,724	3,768	3,692	3,805	3,865	100.0	103.0	104.7
Mining									
Anthracite coal (thous. net tons)	339	291	258	297	300	257	60.8	61.3	52.6
Bituminous coal (thous. net tons)	6,497	5,367	5,006	6,409	6,290	5,762	90.9	89.2	81.7
Construction contracts awarded (mil. dols.)									
Total	692.5	619.0	683.5*	771.6	778.1	844.0	239.8	241.9	262.3
Residential building	295.2	229.6	311.3*	338.5	302.3	400.8	240.5	214.8	284.8
Nonresidential building	310.7	249.4	221.7*	281.6	331.0	280.2	259.6	305.1	258.3
Nonbuilding (utilities and public works)	86.6	140.0	148.9*	151.5	144.8	163.0	209.0	199.8	224.9
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,598	5,575	5,543	5,607	5,586	5,556	116.7	116.2	115.6
Unemployed									
No. of persons (thous.)	312	305	261	315	307	266	78.4	76.6	66.2
Rate (percentage of labor force)	5.3	5.2	4.5						
Rate, seasonally adjusted				5.3	5.2	4.5			
Civilian labor force, no. of persons (thous.)	5,910	5,880	5,804	5,922	5,893	5,822	113.7	113.2	111.8
Initial claims for unemployment benefits	100,857	141,203	124,392	101,287	100,773	86,907	70.7	70.4	60.7

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month*	*Year*
	Nov.	*Dec.*	*Dec.*	*Ago*	*Ago*
U.S. city average	125.9	126.1	120.5	0.2	4.6
Philadelphia	130.1	129.9	125.6	−0.2	3.4
Pittsburgh	n.a.	121.8	116.7	n.a.	4.4

[1] Total includes workers on strike. * = figure revised n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1988 LABOR FORCE PARTICIPATION RATES BY COUNTY
(labor force as a percent of total population)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. DEPT. OF COMMERCE.

used in relying solely on employment and unemployment trends to gauge the economy's strength.

Retail sales growth was anemic in 1989. Through the first 11 months of the year, sales were up a slight 3.2 percent, not enough to make up for inflation. Sales growth in October and November has been especially weak. Nationwide, sales came in 5.3 percent higher than a year ago during 1989. Weakness persisted throughout the year in the automotive sector as new registrations were down nearly one-fourth through November from the same period in 1988 and auto-related sales were down 4.2 percent. The slowdown in retail sales has apparently limited the increase in Pennsylvania sales and use tax collections. During calendar year 1989, collections were up 3.8 percent, the weakest gain in several years. Weakness is especially evident in tax collections for the motor vehicles component of the total.

There is a noticeable difference in retail sales growth between the Philadelphia and Pittsburgh-Beaver Valley metro areas. **Sales growth in Philadelphia was more than double the increase in Pittsburgh through the first 11 months of the year.** The only decline in the Philadelphia region is in the auto dealers category. (Beginning with this issue of the *PBS*, retail sales information will be reported for the Pittsburgh-Beaver Valley and Philadelphia metropolitan areas on a quarterly basis. This represents an additional attempt to broaden the scope of analyses contained in the *Survey*.)

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	November	Pct. chg.	Year-to-date	Pct. chg.
Total	7,063	2.0	72,639	3.2
Durables	2,297	− 4.7	26,635	− 0.1
Bldg. mat.		− 7.5		− 5.0
Auto dlrs.		− 8.8		− 4.2
Furniture		2.3		15.6
Other		3.8		7.1
Nondurables	4,766	5.6	46,004	5.1
Gen. mdse.		4.0		0.6
Food/grocery		2.9		4.5
Gas		9.9		5.6
Apparel		6.2		4.6
Eat/drink		12.4		6.0
Drugs		15.7		12.1
Other		− 1.8		8.9
Seas. adj. total: November		6,914		
October		6,766		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

Philadelphia and Pittsburgh retail sales
(millions of dollars; pct. chg. from year ago; data through Nov.)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	30,130	7.6	12,909	3.5
Durables	11,104	3.5	4,335	− 1.4
Bldg. mat.		8.5		0.6
Auto dlrs.		− 3.2		− 2.8
Furniture		12.5		12.3
Other		17.7		− 5.8
Nondurables	19,026	10.2	8,574	6.2
Gen. mdse.		0.6		− 2.3
Food/grocery		10.9		2.9
Gas		5.4		13.4
Apparel		6.2		6.4
Eat/drink		18.0		7.8
Drugs		17.9		18.4
Other		16.0		10.6

Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

Despite the sluggish showing on the part of retail sales, these establishments generated 4,000 additional jobs during the year. **The 885,000 workers represent a new record in the retail trade industry. However, job gains slowed as the year wore on.** In the first quarter, jobs totaled 12,000 more than a year ago. By the fourth quarter, they were actually down by 2,000 from the same period in 1988.

The slump which began in 1987 in the construction of new homes in Pennsylvania intensified in 1989. After rising at double-digit rates from 1983 through 1986, the number of new housing permits authorized by permit rose 4 percent in 1987, declined 1.6 percent in 1988, and fell an additional 13.1 percent last year. On the nonresidential side, preliminary estimates show new permits down 7.5 percent from a year ago. Comparable and reliable monthly permit data are available for 14 of the counties which are in metropolitan areas in the Commonwealth. Permit authorizations declined in 12 of the 14 counties on the residential side while 10 counties witnessed a decline in the number of permits for nonresidential projects in 1989.

Pennsylvania's showing relative to the U.S. was mixed. **The drop in the number of new residential permits was nearly twice as large as the nation's. On the nonresidential side, the U.S. decline was one percentage point larger than in Pennsylvania.**

The value of new construction contracts awarded averaged \$873.2 million per month in 1989 in the Commonwealth, up 6.3 percent from a year ago. About one-half of that gain

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
November	38,505	−24.4
1989 YTD	613,451	− 7.7
12-month total	677,389	− 6.2

Source: R.L. Polk & Co.

New Pennsylvania building permit authorizations (percent change from year ago)

	Dec.	Pct. chg.	Year-to-date	Pct. chg.
Residential	2,611	−23.3	46,758	−13.1
Nonresidential	668	−31.1	21,398	− 7.5

Source: U.S. Dept. of Commerce, Bureau of the Census.

is attributable to inflationary pressures, resulting in a "real" gain of 3 percent. This represents an improvement over 1988's results but it does trail considerably the average gain of the previous five years. The only decline in contract values occurred in the residential sector.

Pennsylvania's construction industry also employed a record number of workers as 10,000 jobs were added over the year. While job growth did slow as the year progressed, fourth quarter readings were still 6,000 above a year ago.

For nonmanufacturing as a whole, job growth came in at 1.7 percent in 1989, only about one-half the rate of growth in the nation. Over the 1982-1988 period, job growth averaged 2.6 percent each year. These industries maintained 3,779,000 jobs in 1989 for another new record. In addition to retail trade and construction, other industries with record levels of employment in 1989 were: wholesale trade, finance, and services. Once again, the services industries led the way as job growth in these industries came to 3.5 percent.

On the factory side, the number of jobs fell an additional 0.4 percent to 1,052,000 in 1989. Since the recovery in the economy as a whole began in the early 1980s, employment in these all-important industries is down more than 7 percent. Last year's decline was concentrated in the durable goods component.

Many argue that Pennsylvania's economy is much more diversified compared to previous decades. While this is cer-

Annual Review of Major Economic Indicators — Pennsylvania and the United States

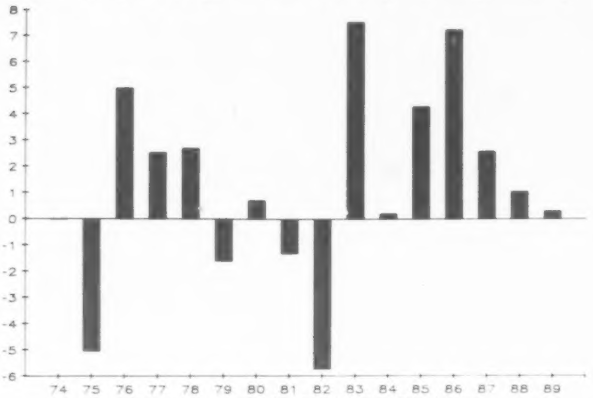
	Pennsylvania					United States		
	Mo. Ave.		Pct. change from			Pct. change from		
	1989	1988	1988	82/83 ave	1979	1988	82/83 ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	5,104	5,036	1.4	12.0	6.0	2.8	20.8	20.9
Manufacturing	1,052	1,056	−0.4	−7.2	−24.2	1.1	5.4	−6.8
Durable goods	598	603	−0.8	−8.6	−30.0	0.9	6.0	−9.6
Primary metals	92	91	1.1	−30.0	−54.9	1.0	−10.8	−37.6
Nondurable goods	454	453	0.2	−5.3	−14.8	1.4	4.6	−2.5
Nonmanufacturing	4,046	3,978	1.7	18.3	18.3	3.2	24.8	29.3
Mining	28	29	−3.4	−34.1	−46.2	0.1	−30.6	−24.6
Construction	241	231	4.3	44.3	18.1	3.4	35.0	18.8
Service-producing industries	3,779	3,718	1.6	17.7	19.5	3.2	25.1	30.9
Transportation and public utilities	251	252	−0.4	2.7	−7.7	2.8	13.7	11.0
Wholesale trade	271	270	0.4	12.7	13.4	3.4	18.2	19.8
Retail trade	885	881	0.5	18.6	17.5	2.4	27.1	30.6
Finance, insurance, and real estate	297	293	1.4	23.0	26.9	2.1	26.1	37.0
Services and miscellaneous	1,375	1,328	3.5	29.8	45.7	5.0	38.8	57.1
Federal government	139	141	−1.4	4.5	6.1	0.6	8.4	7.8
State and local government	560	554	1.1	2.7	−5.1	2.4	12.5	11.9
Ave. wkly. hours worked by production workers								
All manufacturing industries	40.6	41.0	−1.0	4.6	1.8	−0.2	3.8	2.0
Durable goods	41.7	42.0	−0.7	5.0	1.2	−0.5	4.0	2.0
Primary metals	42.8	42.9	−0.2	11.6	3.1	−1.1	8.7	3.9
Nondurable goods	39.3	39.7	−1.0	4.4	3.7	0.0	3.3	2.3
Total factory person-hours worked (mils.)	29.5	29.7	−0.7	−1.3	−25.7	0.6	9.7	−9.5
Total factory payrolls (mil. dols.)	312.0	304.6	2.4	18.6	12.6	3.6	32.6	41.6
Average hourly earnings (dollars)	10.59	10.27	3.1	20.5	51.5	2.8	20.9	56.3
Average weekly earnings (dollars)	430.20	421.07	2.2	26.2	54.4	2.6	25.5	59.4
Steel production (thous. tons)	991	1.139	−13.0	−0.5	−57.8	−2.4	22.5	−28.5
Industrial electric power sales (mil. kwh)	3,794	3,818	−0.6	13.3	−4.0	2.8	19.5	7.9
Mining								
Anthracite coal (thous. net tons)[1]	285	290	−1.7	−21.2	−29.3			
Bituminous coal (thous. net tons)	5,870	5.591	5.0	0.3	−21.0	2.6	20.5	25.1
Construction contracts awarded								
Total, current dollars (mils.)	873.2	821.8	6.3	122.0	126.5	0.2	49.3	55.0
Residential building	365.0	368.2	−0.9	133.2	117.5	−1.2	57.7	61.5
Nonresidential building	327.3	286.6	14.2	124.0	141.5	2.7	52.7	85.4
Nonbuilding (utilities and public works)	180.9	167.1	8.3	99.2	120.1	−1.1	26.8	9.1
Total, constant 1982 dollars (mils.)[2]	728.3	707.2	3.0	87.6	52.8	−2.9	26.3	4.6
Residential building	304.4	316.9	−3.9	97.5	46.8	−4.3	33.6	9.0
Nonresidential building	273.0	246.6	10.7	89.3	63.0	−0.5	29.0	25.1
Nonbuilding	150.9	143.8	4.9	68.0	48.5	−4.1	7.1	−26.4
Employed, no. of persons (thous.)	5,592	5,470	2.2	14.8	13.2	2.1	17.1	18.7
Unemployed								
No. of persons (thous.)	264	293	−9.9	−57.7	−28.3	−2.6	−39.0	6.4
Rate (percentage of labor force)	4.5	5.1						
Civilian labor force, no. of persons (thous.)	5,857	5,764	1.6	6.5	9.3	1.8	11.7	18.0
Initial claims for unemployment benefits (thous.)	91	83	9.6	−47.4	−36.8			
Consumer Price Index for All Urban Consumers, all items (1982-84 = 100)								
U.S. city average						4.8	26.5	70.8
Philadelphia	128.3	122.4	4.8	30.9	73.6			
Pittsburgh	120.1	114.9	4.5	22.9	68.7			

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining Anthracite coal.

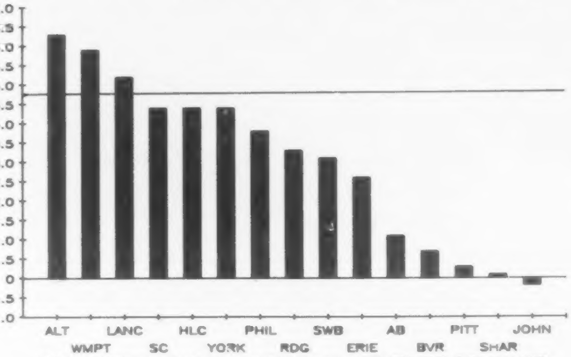
[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

GROWTH IN PENNSYLVANIA MANUFACTURING OUTPUT
(annual pct. chg. in the PA Mfg. Activity Index)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PERCENT CHANGE IN 1989 AVERAGE HOURLY MANUFACTURING EARNINGS BY PA METRO AREA
(horizontal line corresponds to the 4.7 percent estimated increase in consumer prices in PA)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

tainly true when looked at on an intersectoral basis, **recent job trends suggest that Pennsylvania's manufacturing sector remains concentrated in "slow-growth" industries** (table). Over the 1975-1982 period, 19.6 percent of all manufacturing jobs in Pennsylvania were in those industries with job growth rates above the national average for the factory sector as a whole. Between 1982 and 1989, this share actually declined to 16.8 percent. In other words, 83.2 per-

Historical job trends in Pennsylvania manufacturing industries

1975-1982 Job Growth Rank	Industry	1975-1982 Avg. Ann. Job Growth	1982-1989 Job Growth Rank	Industry	1982-1989 Avg. Ann. Job Growth
	ABOVE-AVERAGE GROWTH			ABOVE-AVERAGE GROWTH	
1	Instruments	1.6	1	Lumber/Wood	7.9
2	Chem. Prods.	0.9	2	Rubber/Plastics	2.7
3	Printing/Pub.	0.8	3	Printing/Pub.	2.2
4	Paper Prods.	0.4	4	Furniture	2.1
5	Furniture	0.4			
	PCT. OF ALL MFG. JOBS IN 1982	19.6		PCT. OF ALL MFG. JOBS IN 1989	16.8
	BELOW-AVERAGE GROWTH			BELOW-AVERAGE GROWTH	
			5	Chem. Prods.	0.4
6	Petrol./Coal Prods.	0.0	6	Paper Prods.	0.3
7	Lumber/Wood	– 0.5	7	Food Prods.	0.0
8	Rubber/Plastics	– 0.6	8	Miscellaneous	– 0.1
9	Trans. Eq.	– 0.9	9	Trans. Eq.	– 0.8
10	Food Prods.	– 1.1	10	Fab. Metals	– 0.9
11	Nonelec. Mach.	– 1.4	11	Instruments	– 1.1
12	Apparel	– 2.1	12	Stone/Clay/Glass	– 1.2
13	Elec. Eq.	– 2.2	13	Nonelec. Mach.	– 1.9
14	Stone/Clay/Glass	– 2.3	14	Elec. Eq.	– 2.9
15	Fab. Metals	– 2.4	15	Textiles	– 3.1
16	Miscellaneous	– 3.6	16	Apparel	– 4.7
17	Textiles	– 3.7	17	Leather Prods.	– 5.3
18	Leather Prods.	– 4.0	18	Prim. Metals	– 6.1
19	Prim. Metals	– 5.0	19	Petrol./Coal Prods.	– 6.3
20	Tobacco Prods.	– 8.9	20	Tobacco Prods.	–11.6
	PCT. OF ALL MFG. JOBS IN 1982	80.4		PCT. OF ALL MFG. JOBS IN 1989	83.2

Source: U.S. Dept. of Labor; PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.

New PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1989: IVQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	478	−28.6	2,425	−31.9
Carbon	60	66.7	255	−21.3
Lehigh	197	−48.8	1,142	−28.0
Northampton	221	−10.9	1,028	−37.8
Beaver County MSA	72	−16.3	369	26.8
Philadelphia MSA	2,396	−24.5	11,677	−23.7
Bucks	623	−39.3	3,069	−28.4
Chester	603	−22.0	3,166	−16.1
Delaware	281	12.4	1,266	−20.0
Montgomery	788	− 1.3	3,576	− 8.3
Philadelphia	101	−68.8	600	−66.0
Pittsburgh MSA	1,147	16.6	4,662	−16.0
Allegheny	789	21.6	2,868	−19.5
Fayette	48	− 7.7	278	−25.3
Washington	125	19.0	538	2.1
Westmoreland	185	3.9	978	− 9.8
Adams County	170	−12.8	705	−23.0
Nonres. buildings				
Allentown-Beth. MSA	274	−19.6	1,851	−14.7
Carbon	20	− 4.8	105	−26.6
Lehigh	100	−43.5	822	− 7.8
Northampton	154	7.7	924	−18.7
Beaver County MSA	59	13.5	308	−17.4
Philadelphia MSA	961	−10.4	4,997	−10.4
Bucks	319	− 4.8	1,578	−24.9
Chester	204	−20.6	1,179	− 2.4
Delaware	115	−21.8	563	−14.3
Montgomery	284	− 4.1	1,516	7.2
Philadelphia	39	5.4	161	−18.7
Pittsburgh MSA	395	− 3.2	2,405	3.1
Allegheny	203	−11.7	1,250	8.2
Fayette	22	−59.3	239	−14.3
Washington	72	22.0	396	− 6.8
Westmoreland	98	50.8	520	9.7
Adams County	38	−33.3	275	9.1

Source: U.S. Dept. of Commerce, Bureau of the Census.

cent of all jobs in the Pennsylvania manufacturing sector have been in "slow-growth" industries during the past seven years. Hence, **the diversity of the Commonwealth's manufacturing sector is questionable, suggesting that these industries, which still account for more than one-fifth of all jobs in Pennsylvania, may continue to dampen overall job gains.**

Despite the downtrend in factory jobs in recent years, trends in the Pennsylvania Manufacturing Activity Index suggest that output remains on the rise (chart). However, production growth was a minimal 0.3 percent in 1989, the second lowest gain in seven years. Steel production was down 13 percent for the year. Compared to 1979, prior to the onset of the recessions, steel production is down more than one-half in the State's mills. The average workweek fell 0.4 hour in 1989 which suggests that an uptick in hiring activity is unlikely. Average hourly earnings rose 3.1 percent, not enough to keep up with price increases. In fact, of the 15 metro areas in the State, only three saw average hourly earnings increase at a rate higher than that for the overall price level last year (chart). Such a trend has potentially negative implications for the standards of living of factory workers. However, it does ignore the impacts of nonwage benefits. Nationwide, the growth in nonwage benefits has been quite high.

Determining the future course of the Pennsylvania economy is especially difficult this year because of conflicting signals as to the likely course of U.S. trends. Overall economic conditions in the U.S. deteriorated as the year drew to a close. Few appear to believe that the national economy is poised to accelerate. The risk appears to be on the downside. A considerable minority is forecasting a recession in the immediate future. Many of those forecasting continued growth concede that a recession is possible and that there is a fine line between continued sluggish growth and an appreciable slump. Once again, officials at the Federal Reserve are likely to come under intense policy pressures. In determining the appropriate course of monetary policy, the Fed will have to take into account inflationary expectations, the likelihood of recession, the budget and trade deficits, the national debt, and the value of the dollar in foreign exchange markets. Clearly, the monetary officials will be walking a policy tightrope. **All things considered, we believe that the U.S. economy will continue to expand, but at a sub-par rate of less than 2 percent. This sluggish growth will dominate the financial markets and, after some upward pressure early in the year, interest rates are likely to fall as the year goes on. However, an alternative scenario finds monetary officials constrained by some of those concerns outlined above, which may prevent any downtrend in interest rates. However, any decline will likely not be enough to push the economy onto a higher growth path. Likewise, inflationary pressures are expected to ease in coming months, but again, only by a relatively small amount.**

In the absence of any positive developments nationwide, the year-end sluggishness evident in Pennsylvania is likely to continue well into 1990. The decline in interest rates will not be enough to spur additional activity in construction and the factory sector. Overall sluggish growth will not bring about the gains in income necessary to spur retail sales. This overall weakness will spread into the service-producing industries where job gains will be further reduced. The downtrend in the Pennsylvania index of leading indicators throughout much of 1989 also points to a cloudy outlook (chart).

Specifically, we look for the following developments in 1990:

- **Employment is likely to hold steady with the first half of the year looking especially weak compared to a year ago before some improvement in the second half. Some upward pressure on joblessness is probable. Certainly, another significant decline in the jobless rate is unlikely in light of the anemic employment outlook;**
- **1990 will be another unimpressive year for Pennsylvania's factories. Jobs will continue to edge down. At best, production will inch forward, though a slight decline is more likely. With weakness in job growth expected to continue in the retail and construction industries, services will again provide practically all new jobs. Even here, job growth is expected to fall short of the gains recorded in previous years;**

- **Retail sales growth will once again struggle to match price gains with much of the weakness falling in the durable goods categories; and**
- **The best bet is for building activity to remain weak on both the residential and nonresidential sides. However, if any event has the potential to spur the economy, it may be a second half uptick in housing activity in response to lower mortgage rates.**

After the first signals of a slowdown began to emerge earlier in 1989, attempts were often made to conclude the monthly overviews of economic activity by cautioning against an overly-pessimistic view of the Commonwealth's economy. Such a caution is once again warranted. **The outlook is for sluggish growth, but it comes some seven years into the current expansion, a recovery which, nationally, is almost unprecedented in length. Despite some rumblings in the economic community concerning the end of the business cycle, another recession is sure to strike within the near-term. Should the current sluggishness be the start of such a downturn, it should not be interpreted as evidence of failure on the part of State policy makers, past or present, or that something is inherently wrong with the Pennsylvania economy. Rather, it simply represents the cyclical nature of economic growth nationwide, and its impacts on the State.**

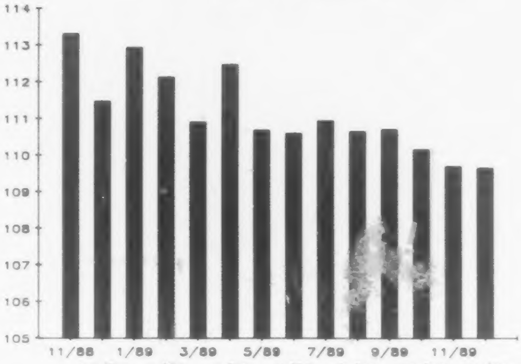
This is not to say that the long-term outlook for Pennsylvania, above and beyond the likely cyclical downturns, is worry-free. Demographic patterns may limit the potential growth in population-sensitive industries such as retail trade and housing. Trends in 1987 and 1988 suggest that Pennsylvania has the potential to perform on par with the U.S. However, a relatively weak showing in 1989 brings into question the State's ability to do so over a prolonged period of time. The Commonwealth's concentration in "slow-growth" manufacturing industries outlined above is cause for concern. In sum, the gains which have been realized in recent years are welcome, but more evidence is required to determine if these gains are indicative of an economy which is stronger and more competitive over the long-run.

— William D. Anderson

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
April 1989	112.5	86.0	1.4	−1.1
May	110.7	85.1	−1.6	−1.0
June	110.6	85.3	−0.1	0.3
July	110.9	84.8	0.3	−0.6
August	110.6	84.3	−0.3	−0.6
September	110.7	83.9	0.1	−0.5
October	110.1	83.7	−0.5	−0.2
November	109.7	84.2	−0.4	0.5
December	109.6	83.5	0.0	−0.7

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Around the State

Northeastern Quarter

Allentown-Bethlehem

After a prolonged period of relatively impressive growth, economic activity showed signs of slowing in 1989 in the four counties of the Allentown-Bethlehem metropolitan area. At the least, the growth in several measures of activity slowed relative to previous years. Activity was once again unbalanced across the different sectors of the economy, though not to the same degree as in the early 1980s.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	318.3	116	115	114
Unemployed, no. of residents	16.6	86	71	67
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	334.8	114	112	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	285.0	110	110	110
Nonmfg. only, no. of jobs	208.4	139	138	136
Mfg. only, no. of jobs	76.4	71	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.7	104	103	105
Industrial electric power sales				
Metropolitan area	***	107	108	112
Allentown	***	93	94	98
Bethlehem	***	117	116	123
Easton	***	114	114	114
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	340.8	−17		
Nonresidential contracts only	192.5	−19		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

One sector that held back overall economic growth last year was construction. The value of contracts awarded declined by nearly one-fifth on both the residential and nonresidential sides. For the three Pennsylvania counties included in the region, the number of new housing units authorized by permit was down by one-third with declines ranging from 21 percent in Carbon County to 38 percent in Northampton. This represents the second consecutive year in which permit authorizations have declined after several years of almost uninterrupted growth. Authorizations for nonresidential projects were off 15 percent. Construction job levels were 200 higher than in 1988, but this represents the smallest advance in six years.

The nonmanufacturing sector continued to add jobs in 1989 as the 205,000 positions in these establishments translate into a gain of 2.3 percent from 1988. This advance is down from the 3.9 percent average of the 1982-1988 period. Still, job levels rose to a new record for the seventh consecutive year. The region's largest industry, services, outperformed the economy as a whole as job growth totaled a strong 5.6 percent. However, employment growth in retail trade, at 1.4 percent, held back overall job gains.

	Allentown-Bethlehem			Altoona			Beaver		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	282.0	278.0	1.4	52.2	51.6	1.2	49.1	49.3	−0.4
Manufacturing	76.9	77.6	−0.9	10.7	11.0	−2.7	9.4	9.6	−2.1
Durable goods	35.1	36.3	−3.3	3.8	4.0	−5.0	7.0	7.3	−4.1
Nondurable goods	41.7	41.3	1.0	7.0	7.1	−1.4	2.4	2.3	4.3
Nonmanufacturing	205.0	200.3	2.3	41.4	40.5	2.2	39.7	39.8	−0.3
Ave. wkly. hours worked by production workers									
Manufacturing	39.5	40.1	−1.5	39.9	40.4	−1.2	43.3	42.4	2.1
Durable goods	41.6	42.1	−1.2	42.0	41.4	1.4	44.0	42.7	3.0
Nondurable goods	38.1	38.5	−1.0	38.7	39.8	−2.8	40.5	41.1	−1.5
Industrial electric power sales index (1977 = 100)	109.9	112.4	−2.2	76.6	77.5	−1.2			
Employment of Residents									
Employed, no. of persons (thous.)	319.2	311.1	2.6	57.0	55.5	2.7	55.6	54.8	1.5
Unemployed									
No. of persons (thous.)	14.5	14.3	1.4	3.8	4.1	−7.3	4.3	5.5	−21.8
Rate (percentage of labor force)	4.3	4.4		6.3	6.9		7.2	9.1	
Civilian labor force, no. of persons (thous.)	333.8	325.4	2.6	60.8	59.6	2.0	59.9	60.3	−0.7

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	116.6	113.8	2.5	305.7	299.8	2.0	80.4	79.1	1.6
Manufacturing	35.7	35.3	1.1	51.6	52.0	−0.8	13.6	13.5	0.7
Durable goods	24.5	24.0	2.1	23.6	23.8	−0.8	8.2	8.2	0.0
Nondurable goods	11.3	11.3	0.0	28.0	28.3	−1.1	5.3	5.3	0.0
Nonmanufacturing	80.8	78.5	2.9	254.0	247.8	2.5	66.6	65.6	1.5
Ave. wkly. hours worked by production workers									
Manufacturing	42.8	43.0	−0.5	39.9	39.8	0.3	39.1	39.6	−1.3
Durable goods	42.4	42.4	0.0	40.5	40.8	−0.7	41.5	42.4	−2.1
Nondurable goods	43.7	44.2	−1.1	39.5	39.1	1.0	35.3	35.3	0.0
Industrial electric power sales index (1977 = 100)	113.5	116.6	−2.7	81.4	92.0	−11.5	156.5	186.5	−16.1
Employment of Residents									
Employed, no. of persons (thous.)	127.0	122.5	3.7	317.3	307.2	3.3	90.3	87.7	3.0
Unemployed									
No. of persons (thous.)	6.7	7.8	−14.1	12.3	12.7	−3.1	6.8	7.0	−2.9
Rate (percentage of labor force)	5.0	6.0		3.7	4.0		7.0	7.4	
Civilian labor force, no. of persons (thous.)	133.7	130.3	2.6	329.6	319.9	3.0	97.2	94.7	2.6

NOTE: All 1989 data are preliminary and are subject to revision.
All data are average of monthly figures.

The news is not nearly as impressive with respect to the manufacturing sector. Industrial power sales eased after peaking in 1988, suggesting that production activity was off a bit. Job levels were down another 700 in totaling 76,900, yet another record low reading. Job losses were concentrated in the durable goods industries, especially in the electronic and transportation equipment industries with a combined loss of 1,500 jobs. A decline in the average factory workweek suggests that hiring activity is likely to remain flat.

For the first time since the early 1980s, some upward pressure on unemployment was evident last year. All told, 14,500 residents were officially listed as without a job, up by 200 from a year earlier. The uptick was especially evident late in the year. By the fourth quarter, joblessness was up by 3,900 from the same three months in 1988. The jobless rate settled at 4.3 percent in 1989, practically unchanged from 1988's 4.4 percent.

Still, employment continued to surge after a gain of 2.6 percent. This translates into an advance of 8,100, leaving employment at another record high. If anything, employment growth was stronger in 1989 than in previous years. There has been much discussion of a developing labor shortage in

	Lancaster			Philadelphia			Pittsburgh		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	188.9	184.8	2.2	2,187.4	2,172.5	0.7	884.7	871.7	1.5
Manufacturing	59.2	60.1	−1.5	364.8	368.9	−1.1	126.6	124.9	1.4
Durable goods	34.3	34.9	−1.7	191.0	195.3	−2.2	89.4	88.9	0.6
Nondurable goods	24.8	25.2	−1.6	173.8	173.6	0.1	37.2	36.0	3.3
Nonmanufacturing	129.4	124.5	3.9	1,821.2	1,803.1	1.0	757.6	746.6	1.5
Ave. wkly. hours worked by production workers									
Manufacturing	40.6	40.5	0.2	40.5	40.4	0.2	41.9	42.2	−0.7
Durable goods	41.2	41.4	−0.5	41.9	41.6	0.7	43.0	42.8	0.5
Nondurable goods	39.9	39.4	1.3	38.9	39.1	−0.5	39.0	40.5	−3.7
Industrial electric power sales index (1977 = 100)	142.8	139.4	2.4	112.2	110.6	1.4	62.5	63.3	−1.3
Employment of Residents									
Employed, no. of persons (thous.)	218.2	211.0	3.4	2,354.6	2,319.9	1.5	936.1	909.3	2.9
Unemployed									
No. of persons (thous.)	7.3	7.7	−5.2	93.0	100.0	−7.0	45.0	55.5	−18.9
Rate (percentage of labor force)	3.2	3.5		3.8	4.1		4.6	5.8	
Civilian labor force, no. of persons (thous.)	225.5	218.7	3.1	2,447.6	2,419.9	1.1	981.1	964.8	1.7

	Reading			Scranton-Wilkes-Barre			Sharon		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	154.1	150.1	2.7	302.4	298.9	1.2	44.2	42.2	4.7
Manufacturing	48.8	48.0	1.7	71.4	71.7	−0.4	11.7	11.0	6.4
Durable goods	29.7	29.2	1.7	28.6	29.0	−1.4	10.2	9.5	7.4
Nondurable goods	19.2	18.8	2.1	42.8	42.6	0.5	1.5	1.5	0.0
Nonmanufacturing	105.3	102.0	3.2	230.8	227.0	1.7	32.5	31.2	4.2
Ave. wkly. hours worked by production workers									
Manufacturing	41.0	40.9	0.2	38.7	38.9	−0.5	41.5	42.6	−2.6
Durable goods	41.4	41.8	−1.0	39.8	40.4	−1.5	42.1	43.3	−2.8
Nondurable goods	40.4	39.5	2.3	38.0	38.0	0.0	35.4	36.7	−3.5
Industrial electric power sales index (1977 = 100)	145.3	139.2	4.4	117.1	112.3	4.3	113.6	116.9	−2.8
Employment of Residents									
Employed, no. of persons (thous.)	172.4	165.9	3.9	345.0	336.5	2.5	50.5	47.7	5.9
Unemployed									
No. of persons (thous.)	7.0	7.6	−7.9	20.0	21.5	−7.0	2.3	2.6	−11.5
Rate (percentage of labor force)	3.9	4.4		5.5	6.0		4.4	5.1	
Civilian labor force, no. of persons (thous.)	179.4	173.6	3.3	365.0	358.0	2.0	52.8	50.2	5.2

NOTE: All 1989 data are preliminary and are subject to revision.
All data are average of monthly figures.

many regions of Pennsylvania, including the northeast. However, some circumstantial evidence from 1988 suggests that these concerns may be overblown. Both Carbon and Northampton Counties had labor force participation rates below the Statewide average of 49.3 percent, suggesting some slack in labor markets. Lehigh County had 51.9 percent of its population counted as in the labor force.

The slowdown evident in overall economic growth in 1989 is likely to continue into 1990. Housing is likely to remain soft, manufacturing will stay weak (with some of the weakness spilling over into the service-producing industries, restraining job growth there), and joblessness is likely to continue to creep forward. Still, as long as the national economy remains afloat, the region should weather the downturn.

Scranton-Wilkes-Barre

Overall employment and unemployment trends remained positive in the Scranton-Wilkes-Barre metro area in 1989, though there was a worrisome uptick in unemployment as the year drew to a close, a development common throughout Pennsylvania. For the year, the jobless rate averaged 5.5 percent, down from 6 percent in 1988. However, in the fourth quarter, the rate came in at 6 percent, up from 5.4 percent in the final three months of 1988. Still, employment rose an additional 2.5 percent to 345,000, another new record despite a second half slowdown in growth. Although it remained positive through year-end, annual employment growth rates fell by 4 to 5 percentage points in each of the five counties of the metro area between January and December.

Growth in nonfarm jobs, which many analysts consider a more reliable indicator of trends than the resident employment data, grew by just 1.2 percent in 1989, less than one-half the gain in employment. Once again, a slowdown was evident as the year progressed. In the first quarter, nonagricultural job levels were 2.2 percent higher than a year ago. In the final three months of the year, the gain was a minimal 0.4 percent.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	342.9	120	120	120
Lackawanna County[2]	104.5	115	115	114
Luzerne County[3]	151.7	114	114	113
Unemployed, no. of residents				
Metropolitan area	22.1	74	61	66
Rate, seasonally adjusted	6.1			
Lackawanna County[2]	6.6	73	59	58
Luzerne County[3]	10.3	68	58	68
Civilian labor force, no. of residents				
Metropolitan area	365.0	116	114	114
Lackawanna County[2]	111.0	111	109	109
Luzerne County[3]	162.0	109	108	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	304.7	116	116	115
Nonmfg. only, no. of jobs	234.1	131	130	129
Mfg. only, no. of jobs	70.5	84	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	118	118	114
Lackawanna County[2]	...	132	132	125
Luzerne County[3]	...	106	107	100
Hazleton	...	97	95	88
Wilkes-Barre	...	115	114	109
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	358.7	+ 2		
Nonresidential contracts only	146.9	− 17		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

	State College			Williamsport			York		
	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89	1989	1988	Percentage Change 88-89
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	57.1	55.4	3.1	51.7	51.0	1.4	179.0	175.9	1.8
Manufacturing	7.9	7.8	1.3	15.9	16.6	−4.2	61.4	61.3	0.2
Durable goods	5.6	5.5	1.8	10.0	10.7	−6.5	37.8	37.7	0.3
Nondurable goods	2.3	2.3	0.0	5.9	5.8	1.7	23.6	23.6	0.0
Nonmanufacturing	49.2	47.6	3.4	35.8	34.5	3.8	117.6	114.6	2.6
Ave. wkly. hours worked by production workers									
Manufacturing	38.9	39.0	−0.3	39.7	41.0	−3.2	41.7	42.5	−1.9
Durable goods	40.2	40.1	0.2	40.0	41.9	−4.5	42.0	43.4	−3.2
Nondurable goods	36.1	36.7	−1.6	39.2	39.3	−0.3	41.2	41.3	−0.2
Industrial electric power sales index (1977 = 100)	136.7	128.9	6.1	101.2	98.8	2.4	114.2	123.4	−7.5
Employment of Residents									
Employed, no. of persons (thous.)	61.8	59.3	4.2	57.5	56.1	2.5	215.0	208.4	3.2
Unemployed									
No. of persons (thous.)	3.0	3.1	−3.2	3.5	3.2	9.4	9.0	9.3	−3.2
Rate (percentage of labor force)	4.6	5.0		5.7	5.3		4.0	4.3	
Civilian labor force, no. of persons (thous.)	64.8	62.5	3.7	61.1	59.2	3.2	224.0	217.7	2.9

NOTE: All 1989 data are preliminary and are subject to revision.
All data are average of monthly figures.

For the fourth time in five years, factory job levels declined in the metro area. The 71,400 positions maintained in these industries translate into a loss of 300 jobs for the year. Durable goods industries lost 400 jobs while establishments involved in the production of nondurable goods added 200 positions over the year. The region's largest manufacturing industry, apparel products, eliminated 800 positions in 1989. The fabricated metal products and printing and publishing industries each added an additional 200 jobs. In fact, 11 of the 17 industry groups tracked added workers or held payrolls steady through the year, suggesting that job losses were not especially widespread. Some positive news is also found in the 4.3 percent jump in sales of electricity to industrial customers which suggests that production at least held its own despite the job cuts.

While factory job levels remained on a downtrend, nonmanufacturing jobs advanced for the seventh consecutive year in 1989. The 1.7 percent gain from 1988 left the number of jobs in these establishments at 230,800, another new record. On the negative side, last year's gain was only about one-half the average from the previous six years. These industries account for more than 76 percent of all jobs, up from just 68 percent a decade ago.

Job growth in those establishments in the finance, insurance, and real estate category was especially strong, at 3.8 percent. However, job growth in the region's two largest industries, services and retail trade, came in considerably lower than in previous years. Construction jobs were up by 900 last year. At the same time, there was little, if any, growth in the value of construction contracts awarded.

The metropolitan area appears to be more than holding its own relative to the State, at least with respect to recent job and employment trends. While 1989 saw trends in the region quite similar to those in the Commonwealth as a whole, the region has maintained job and employment growth rates 3 to 4 percentage points in excess of those Statewide since the early 1980s.

Taken as a whole, economic trends suggest that 1989 represented another year of economic growth in the region. However, as with Pennsylvania as a whole, there is no denying that growth slowed as the year progressed. It remains to be seen whether this represents the early stages of recession or whether it is simply another temporary pause in the overall pattern of economic growth. The latter option appears to be the most likely, at least for now.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	57.5	122	120	120
Unemployed, no. of residents	3.8	88	77	70
Rate, seasonally adjusted	6.4			
Civilian labor force, no. of residents	61.3	119	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.3	113	112	111
Nonmfg. only, no. of jobs	36.7	128	128	123
Mfg. only, no. of jobs	15.6	87	88	92
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	102	102	103
Industrial electric power sales	***	115	101	91

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	33.8	+21
Nonresidential contracts only	9.4	−45

[1] Lycoming County

Williamsport

Nonmanufacturing industries continued to fuel overall economic growth in Lycoming County in 1989, especially in terms of job generation. Specifically, job levels in these establishments rose 3.8 percent for the year, an improvement over the 2.9 percent average from the previous six years. Job growth was quite balanced across most industries. Service jobs rose 4 percent, retail trade by 3.7 percent, and finance by 4.2 percent. Construction trends appeared mixed. While the value of residential contracts increased, a decline was recorded for nonresidential projects in 1989. Building-related jobs increased slightly.

The story is quite different in manufacturing, however. For the year, 700 jobs were lost, leaving 15,900 positions in these establishments, the lowest reading since 1986 and the first decline since 1985. Job losses were especially apparent in the durable goods industries as the nondurables side actually accounted for an additional 100 jobs. There was an especially large drop in the average factory workweek, a trend which typically signals slack hiring trends. On the plus side, industrial power sales, an indicator of production trends, rose by 2.4 percent during 1989. Another positive development is found in recent trends in average hourly earnings. The Williamsport metro area was one of only three of the State's 15 metro regions which realized a gain in average hourly earnings in excess of the estimated rise in prices in 1989.

Employment rose by 1,400 during the year to stand at 57,500, a new record. However, in that the labor force rose by an even larger 1,900, the end result was some upward pressure on unemployment. Specifically, the number of residents officially listed as without a job advanced by 300, the first increase since 1983. Although the 3.2 percent rise in the labor force contributed to the rise in unemployment, such an increase is typically indicative of strong underlying economic conditions. Statewide, the labor force expanded by just 1.6 percent.

The positives certainly outweigh the negatives for the economy as a whole. Activity in the nonmanufacturing sector continues to expand, more than offsetting the sluggishness in the factory sector. While it may be in the process of peaking, employment shows no sign of actually declining and reversing its uptrend of recent years. However, one cannot ignore the apparent slowdown evident as the year wore on. Employment and job growth declined considerably between the first and fourth quarters of the year.

It is quite likely that these trends evident at year-end 1989 will continue into 1990. The outlook is for continued growth, but at a much more subdued pace than in the past. The result is likely to be continued upward pressure on unemployment.

Altoona Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	57.0	109	108	107
Unemployed, no. of residents	4.2	112	94	100
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	61.2	109	107	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.9	103	101	101
Nonmfg. only, no. of jobs	42.3	110	108	107
Mfg. only, no. of jobs	10.6	82	82	84
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	105	104	107
Industrial electric power sales	•••	76	78	77
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	14.8	−23		
Nonresidential contracts only	31.3	−32		

[1] Blair County

Johnstown Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	89.6	93	93	92
Unemployed, no. of residents	7.3	73	70	61
Rate, seasonally adjusted	8.0			
Civilian labor force, no. of residents	96.9	91	90	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	81.0	92	91	91
Nonmfg. only, no. of jobs	67.3	101	99	100
Mfg. only, no. of jobs	13.4	63	63	64
Hrs. worked by production workers in mfg., *ave. weekly*	38.4	98	100	102
Industrial electric power sales	•••	148	140	183
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	44.8	−19		
Nonresidential contracts only	58.7	+61		

[1] Cambria and Somerset Counties

Still, the slowdown comes just as the economy appears to have reached a peak. The gains recorded since the early 1980s will certainly not be erased as a result of the current slowdown.

Southwestern Quarter

Altoona

Despite the fact that economic growth appeared to slow in the second half of 1989 in Blair County, strength in the first half resulted in continued expansion for the year as a whole. As has typically been the case in recent years, much of the growth came in the service-producing industries, especially when it comes to job generation. Such a trend is likely to continue well into 1990 as there are few signs of an uptick in activity on the goods-producing side.

The economy's strength is apparent in employment trends. For the year, the number of residents officially listed as employed rose 2.7 percent, slightly higher than the State's 2.2 percent advance. This left employment at a record high of 57,000, the third straight year a new peak has been reached. However, employment growth eased as the year wore on. Similarly, while the number of unemployed fell to its lowest level in more than a decade, joblessness was actually higher than a year ago in the fourth quarter. Clearly, trends on the employment/unemployment front point to an economy that continues to expand, but at a pace that slowed near year-end.

Growth in the number of jobs in Blair County nonfarm establishments, at 1.2 percent, was less than one-half the gain in resident employment. (Such a difference is not uncommon as different methodologies are used to generate the two series.) Between 1983 and 1988, job growth averaged 2.4 percent. Nonetheless, the 1989 total of 52,200 jobs matches the record high set previously in 1978 and 1979.

For the second consecutive year, the factory sector failed to contribute any new jobs. The 10,700 positions in these establishments during 1989 represent a drop of 300 from a year ago and translate into the second lowest reading on record. A decline in the average factory workweek suggests that hiring activity is unlikely to improve over the near-term. Additionally, a slight drop in industrial electricity sales suggests that production was flat last year. Both the durable and nondurable goods industries lost workers in 1989. On the plus side, the 6.3 percent rise in average hourly earnings in the factory sector over the course of the year is the strongest in the State and compares favorably with the 4.7 percent rise in the general price level in the Commonwealth.

This sluggishness in the factory sector implies that the nonmanufacturing sector, just as it has done several times in recent years, supplied all new jobs in 1989. Even here, however, the 2.2 percent increase in jobs was off slightly from the gain averaged during the previous five years. Still, the 41,400 workers in these establishments represent another record. Much of the gain was accounted for by retail trade, with 400 additional jobs. The services industry, which has generated a significant number of new jobs of late, added just 200 jobs last year.

Johnstown

At 1.6 percent, the growth in nonagricultural jobs in Cambria and Somerset Counties last year was slightly higher than the Statewide gain of 1.4 percent and it equaled the average advance from the previous five years. However, despite a string of gains since the early 1980s, the 80,400 jobs in these industries are off by 10,000 from only a decade ago. This suggests that the metro area has yet to regain all of the ground lost during the recessions of the 1980-1982 period.

Construction trends were mixed. Building-related jobs held steady. The value of contracts awarded for residential projects was off by one-fifth from 1988 whereas awards grew by nearly two-thirds on the nonresidential side. For the nonmanufacturing sector as a whole, there were 1,000 additional jobs in 1989 compared to 1988. Jobs in the services industries grew by 2 percent, down from the 3.2 percent average from the previous six years. Retail trade job growth, on the other hand, was considerably stronger than in previous years.

While trends are far from spectacular, the region's factories continue to generate additional employment opportunities. Though small in number, the manufacturing job gains recorded in recent years have started to add up. Since 1983, factory jobs Statewide are down 4 percent. In the bi-county region, they are up 9.7 percent or by 1,200. A slight easing in the average factory workweek brings into question the likelihood of these industries generating additional jobs in 1990. Sales of electricity tumbled by 16 percent in 1989. However, the decline is most likely the result of various technical factors rather than an indication of a plunge in factory output.

As is the case elsewhere in the State, some worrisome trends developed with respect to unemployment as the year drew to a close. Although the jobless rate fell by an additional 0.4 percentage point to 7 percent for the year, it was higher than year-ago readings in both October and November. Indeed, throughout the second half of the year, the number of residents listed as employed surpassed readings from the same period in 1988. While the jobless rate is the lowest it has been since 1975, it is still the second highest with respect to the State's 14 other metropolitan areas.

Still, resident employment advanced 3 percent for the year to 90,300. The record high is nearly 98,000 set in 1979. Not surprisingly, in light of the year-end uptick in joblessness, employment growth slowed considerably in the second half of the year. At an annual rate of 1.4 percent, employment growth over the July-December period was less than one-third the rate of growth for the first six months of the year.

All told, trends in the Johnstown metro area fell pretty much in line with our expectations of a year ago. Further improvement was recorded, partly because of a factory sector that is at least holding steady. Still, the region did not make up much of the ground lost earlier in the decade, at least in relative terms. It can be argued that the past few years have shown the metro area to be performing essentially on par with the State. However, this comes on the heels of a prolonged period in which the region was outperformed by the State by a considerable margin. Hence, a review of the region's economy over the long-term is far from encouraging.

Pittsburgh-Beaver Valley

All told, it is safe to say that economic growth remained positive throughout much of the five-county Pittsburgh-Beaver Valley metro area in 1989. This represents a continuation of the recovery period which dates back to roughly 1983. Still, there are some disturbing aspects to the recovery. The region's performance relative to the rest of the State, especially over the long-term, is unimpressive. The region's economy does not appear to be running on all cylinders as the service-producing sector accounts for much of the growth in activity in recent years. A good portion of the decline in joblessness since the recovery began can be traced to a stagnant labor force and a net outflow of residents, many of whom left in search of brighter economic prospects. So, while the economy can be given positive marks, it is important to keep these qualifications in mind.

Housing activity was down in the region as a whole according to trends in the number of new housing units authorized by permit. Much of the decline was concentrated in Allegheny County where the 2,868 permits represent a decline of one-fifth from 1988. Gains were recorded in Washington and Beaver Counties. The number of nonresidential projects authorized was up in the Pittsburgh portion of the region. There was a strong gain in the value of construction contracts awarded for nonresidential projects. Through November, retail sales were up just 3.5 percent in the metro area as a whole, not enough to keep up with the 4.5 percent gain in prices. Sales of nondurable goods rose 6.2 percent for the year, more than offsetting a decline of 1.4 percent on the durable goods side.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	937.8	107	106	105
Beaver County	55.7	65	64	64
Unemployed, no. of residents				
Pittsburgh[1]	45.5	77	63	80
Beaver County	4.2	67	63	76
Unemployment Rate, seas adj.				
Pittsburgh[1]	5.0			
Beaver County	7.3			
Civilian labor force, no. of residents				
Pittsburgh[1]	983.3	105	103	103
Beaver County	59.8	65	64	65
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	897.9	102	101	100
Beaver County	49.8	65	64	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	771.1	117	116	115
Beaver County	40.4	105	104	105
Mfg. only, no. of jobs				
Pittsburgh[1]	126.5	58	58	57
Beaver County	9.4	25	24	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.8	n.a.	n.a.	n.a.
Beaver County	42.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	62	62	65
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	555.4	− 1		
Beaver County	25.2	+ 8		
Nonresidential contracts only				
Pittsburgh[1]	885.1	+53		
Beaver County	26.1	+49		

[1] 1Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

Construction jobs in the four-county Pittsburgh region were off by 900 from a year ago in 1989, the second consecutive annual decline. Retail trade jobs were up 1.8 percent, a gain which is down slightly from the average advance from the previous six years. Building-related jobs were also down in Beaver County while retail trade jobs held steady at 10,300. For the nonmanufacturing sector as a whole, job levels were down from 1988 readings in Beaver County, the only metro area in the State to record a decline. In the Pittsburgh region, job levels rose 1.5 percent to a record high of 757,600. Since

State College Area[1]

	Ave. mo. value *4 Q.'89*	Average monthly index seas. adj. (1977 = 100) *4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	62.6	146	147	143
Unemployed, no. of residents	3.7	132	99	109
Rate, seasonally adjusted	5.5			
Civilian labor force, no. of residents	66.3	146	144	141
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	58.9	142	141	138
Nonmfg. only, no. of jobs	51.2	145	145	140
Mfg. only, no. of jobs	7.8	123	124	122
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	140	138	135
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	64.0	– 4		
Nonresidential contracts only	93.0	+64		

[1] Centre County

the recession bottomed out in 1982/1983, nonmanufacturing job totals have increased 18.3 percent in Pennsylvania. In the Pittsburgh area, the gain has been a much smaller 11.2 percent.

Factory job levels fell by an additional 200 in Beaver County during 1989, the eighth straight year in which jobs have declined. The news was a bit more encouraging in the Pittsburgh metro area as 1,700 factory jobs were added to payrolls in 1989. Job levels have now inched forward minimally in each of the past two years after eight straight years of losses. Nondurable goods industries fared better than did durable goods, at least with respect to job growth in 1989.

Partly because of the gain in factory jobs, total nonfarm job growth in the Pittsburgh area, at 1.5 percent for the year, surpassed the average gain from the previous five years. However, the 884,700 nonagricultural positions still come up more than 30,000 short of readings from a decade ago. Despite the economic recovery's positive impacts elsewhere in the State, nonfarm job levels have actually been on the decline for the past decade in Beaver County and stand at a record low of 49,100.

The most widely watched indicator of economic activity, the unemployment rate, continued to fall throughout the region. The 7.2 percent reading in Beaver County was the lowest in ten years while the 4.6 percent rate in the Pittsburgh metro area represents the lowest reading on record, dating back to 1975. However, the long-term decline in both Beaver County and the Pittsburgh area has come about alongside relatively unimpressive employment and labor force trends. Therefore, caution should be used in interpreting the jobless rate declines.

Labor force participation rates appear to be quite low in each of the five counties in the region, implying that a good deal of slack remains in the labor markets. In 1988, 49.3 percent of the population was counted as in the labor force in Pennsylvania. In the southwestern corner of the State, rates ranged from 32.5 percent in Beaver County to 48.9 percent in Allegheny County. Clearly, labor markets cannot be classified as "tight," despite the downtrend in the unemployment rate.

The region as a whole is likely to continue on its recent slow-growth path with Beaver County trailing. In the absence of any indications of a turnaround nationwide, it is quite unlikely that growth will pick up considerably in the metropolitan area. Hence, there may be some upward pressure on unemployment, especially early in 1990. Retail sales growth is likely to remain minimal while housing is not expected to show improvement for at least several months. All things considered, it appears as if economic growth has peaked, but on the positive side, a recession is not yet in the forecast.

State College

For the fourteenth straight year, the number of Centre County residents counted as employed stood at a record high in 1989. The 61,800 reading represents a gain of 4.2 percent from a year ago, almost double the Statewide advance. However, in the fourth quarter, employment growth was just one-third the rate of advance registered in the first three months of the year which suggests that overall economic growth slowed as the year progressed. The relatively strong 3.7 percent increase in the labor force is also encouraging. Typically, the labor force expands rapidly when underlying employment trends are positive.

The jobless rate fell 0.4 percentage point to 4.6 percent in 1989, its lowest reading since 1974. Similarly, the number of residents officially listed as without a job declined by 100. However, near year-end, there was some upward pressure on unemployment. For instance, in both October and November, the jobless rate stood above year-ago readings. Again, there are signs of a slowdown as we enter 1990.

As has been the case for the past several years, the nonmanufacturing sector continues to lead the way in the metro area. All told, jobs in these establishments rose 3.4 percent in 1989 to another record high of 49,200. This is just slightly below the 3.7 percent advance averaged during the previous six years. Construction jobs were up by a minimal 100. The value of contract awards was down slightly on the residential side but rose by a sharp 64 percent for nonresidential projects. Retail trade establishments led the way by adding 600 new positions in 1989. Service establishments employed just 200 more workers, as job gains have slowed considerably over the past two years in these industries.

The manufacturing sector also made a contribution to job growth last year as the 7,900 factory positions on payroll translate into a minimal gain of 100 over 1988. These industries have fared considerably better in Centre County than in the rest of the State. While job levels are off more than 7 percent since the recovery began in the early 1980s in the Commonwealth, they are actually up by about 500 in the State College metro area. In that some of the region's higher-paying jobs are housed in these establishments, it is of vital importance for the region to maintain its industrial base.

All things considered, 1989 was another impressive year for the Centre County economy. However, several pieces of evidence suggest that economic growth has peaked, probably sometime during the first half of last year. The next several months are likely to see further slowing in the overall pace of activity, but growth should, nonetheless, remain positive.

Northwestern Quarter

Erie

The overall job picture was positive in Erie County in 1989 in part because the factory sector made a contribution in addition to the continued gains recorded by the nonmanufacturing sector. An additional 400 jobs were generated in Erie County's factories last year for a 1.1 percent gain over 1988. Despite two straight years of gains, job levels are still down considerably from pre-recessionary readings. It is quite unlikely that such a shortfall will ever be made up, at least in the foreseeable future. The 2.6 percent gain in average hourly earnings in the factory sector last year fell well short of the 4.7 percent estimated gain in prices in Pennsylvania, implying a loss of purchasing power on the part of the region's production workers.

A 2.9 percent gain in nonmanufacturing jobs left the number of positions on payroll in these establishments at a record high of 80,800 last year. During the previous six-year period, the average annual increase was 2.1 percent. Statewide, nonmanufacturing jobs advanced 1.7 percent in 1989. However, over the course of the recovery, nonmanufacturing job growth has been slightly higher throughout Pennsylvania than in the Erie metropolitan area.

Between them, the retail trade and service industries, which have supplied the majority of new jobs in recent years, accounted for 1,500 additional positions. The construction industry generated an additional 100 jobs. The value of residential construction contract awards advanced by one-third while the value of nonresidential contracts fell by one-fifth. These bits of circumstantial evidence suggest that construction's performance was mixed. More will be known with the release of the permit data in the spring.

For the second consecutive year, resident employment rose to a record level. The 127,000 residents officially listed as employed represent a gain of 4,500 over the year. This advance was strong enough to absorb a net inflow into the labor force of 3,400 and reduce the number of unemployed by 1,100. As a result, the jobless rate fell to 5 percent, its lowest reading in 15 years. However, it is questionable as to whether it is correct to characterize the region as operating at "full employment." In 1988, Erie County's labor force participation rate, at 48.3 percent of the population, was a full percentage point below the Statewide average, suggesting that there remains some slack in overall labor market conditions.

Erie Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	126.7	113	113	110
Unemployed, no. of residents	7.3	86	67	80
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	134.0	111	110	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	117.8	106	106	104
Nonmfg. only, no. of jobs	82.1	121	120	118
Mfg. only, no. of jobs	35.7	83	84	83
Hrs. worked by production workers in mfg., ave. *weekly*	43.5	105	104	105
Industrial electric power sales	•••	112	112	118
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	80.2	+34		
Nonresidential contracts only	46.0	−20		

[1] Erie County

Sharon Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	51.0	106	104	101
Unemployed, no. of residents	2.5	64	52	59
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	53.5	102	100	98
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	45.2	99	98	95
Nonmfg. only, no. of jobs	33.5	114	113	110
Mfg. only, no. of jobs	11.7	72	71	70
Hrs. worked by production workers in mfg., ave. *weekly*	42.0	n.a.	n.a.	n.a.
Industrial electric power sales	•••	105	113	121
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.9	− 5		
Nonresidential contracts only	17.4	+44		

[1] Mercer County

Most evidence suggests that 1989 was a particularly good year for the Erie County economy. The region may have even turned in an above-average year relative to the first several years of recovery. However, as with all of Pennsylvania, a slowdown can be detected in the year-end employment and unemployment figures. On a seasonally adjusted basis, fourth quarter employment totals were below first quarter readings. Also, the jobless trends deteriorated a bit as the year came to a close.

As a result, the outlook calls for some slowing in the pace of overall economic growth. In addition to the year-end warnings, a questionable outlook for the U.S. economy as a whole suggests a restrained forecast for the metro area. What growth there is in the region will most likely be concentrated in the service-producing industries. At best, the goods-producing sector will hold steady. Still, overall growth is expected to remain positive, implying that 1990 will bring about a continuation of the recovery which began in the early 1980s.

Sharon

For roughly the second consecutive year, economic trends in Mercer County were among the most impressive in the State during 1989, especially on the job and employment fronts. This has brought to a halt a period lasting several years in which the Sharon metro area was consistently outperformed by much of the rest of the Commonwealth. However, on the negative side, one can legitimately argue that despite the good news of late, the region is still struggling to make up all of the ground lost earlier in the decade.

At 50,500 the number of residents officially listed as employed was up a strong 5.9 percent in 1989. This is, by far, the largest percentage gain among the State's 15 metropolitan regions. As a result, the jobless rate declined 0.7 percentage point to 4.4 percent. However, signs of upward pressure on joblessness were evident in the final months of 1989, a trend which must be monitored in coming months. Statewide, employment is up more than 13 percent since 1979, the last full year before the onset of recession. In Mercer County, the 1979 reading was just surpassed this year by a minimal 1.2 percent. Clearly, long-term trends are not nearly as impressive as those which are more recent.

In stark contrast to the situation elsewhere in the State, the gain in manufacturing jobs, 6.4 percent for the year, was stronger than nonmanufacturing's 4.2 percent advance. The 11,700 factory positions represent the highest reading since 1982. The 700 jobs added in 1989 came in the durable goods establishments. Nondurable goods job levels held steady. The region's largest manufacturing sector, primary metals, generated an additional 200 jobs during the course of the year. Despite the job gains, sales of electricity to industrial customers, a good qualitative measure of production trends, was down nearly 3 percent from 1988. Another cause for concern is a rather large decline in the average factory workweek which suggests that hiring trends may weaken in 1990. Indeed, the job gain in the fourth quarter, which totaled 500 from a year ago, was only about one-half the gain in the first three months of the year.

The 32,500 positions in the region's nonmanufacturing establishments represent another record high. Since the onset of recovery, these jobs have grown by more than 11 percent, considerably less than the gain in the Commonwealth as a whole. Retail trade led the way last year with a gain of 600 jobs. The service industries accounted for 400 new jobs.

All told, the region was home to 44,200 jobs in its nonagricultural establishments, up 4.7 percent for the year, but still more than 6 percent below pre-recessionary readings. Again, there were signs of a slowdown as the year wore on. In the first quarter, nonfarm job growth came to 5.4 percent. During the final three months of the year, growth came to a still-impressive 4.1 percent. All things considered, conditions do not yet warrant discussions of a significant dropoff in overall economic activity.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Economic growth in the four counties of the Harrisburg-Lebanon-Carlisle region came in just slightly above trends for the State as a whole in 1989. Still, it appears safe to conclude that the gap between the region's overall growth rate and that for the rest of the State has narrowed of late. Despite the recent easing in the pace of overall growth, the metro area's economy remains one of the strongest in the State, a characteristic common to much of southeastern Pennsylvania.

The 254,000 jobs in the region's nonmanufacturing establishments represent a gain of 6,200 or 2.5 percent over 1988. During the previous six years, growth averaged 3.2 percent each year. The job total for 1989 also translates into a record high, the seventh consecutive year such a peak has been attained.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	316.4	126	124	123
Unemployed, no. of residents	14.0	95	80	82
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	330.4	124	122	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	309.2	125	124	122
Nonmfg. only, no. of jobs	257.9	134	133	130
Mfg. only, no. of jobs	51.4	94	94	95
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	78	72	90
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	274.4	+ 7		
Nonresidential contracts only	200.8	– 15		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Those nonmanufacturing industries with record job totals in 1989 were: construction, wholesale trade, retail trade, finance, and services. The value of construction contract awards for residential projects rose a minimal 7 percent while a 15 percent decline occurred on the nonresidential side.

Following slight gains in each of the past two years, factory job levels were down by 400 or 0.8 percent. All told, there were 51,600 jobs in these establishments during 1989. Since the economic recovery began in the early 1980s, manufacturing job levels have declined 1.9 percent in the

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	217.0	138	137	135
Unemployed, no. of residents	8.9	104	80	89
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	225.9	136	134	133
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	190.8	134	133	132
Nonmfg. only, no. of jobs	132.2	155	153	149
Mfg. only, no. of jobs	58.5	103	104	106
Hrs. worked by production workers in mfg., *ave. weekly*	41.1	102	102	102
Industrial electric power sales	***	141	142	140
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	304.0	+11		
Nonresidential contracts only	136.4	+43		

[1] Lancaster County

metropolitan area. Statewide, losses come to more than 7 percent. It appears safe to say that the region has not been as adversely impacted by the difficulties in the manufacturing sector as other regions of the Commonwealth.

Resident employment rose another 3.3 percent in 1989 in the four-county region. Over the previous six-year period, employment growth averaged 2.8 percent each year. For the year, employment totaled 317,300, up by 10,100 from a year ago. This helped absorb a net inflow into the labor force totaling 9,700 and it reduced the number of unemployed by 400. All told, the jobless rate came in at 3.7 percent, down from 4 percent in 1988. Since the early 1980s, employment has increased 21.2 percent in the region, one-third greater than in the State as a whole.

However, as the year came to a close, there was some upward pressure on unemployment, and the growth in employment began to ease. In each of the four counties in the metropolitan area, annual growth in employment declined between January and December. In Cumberland County, growth came to 3.8 percent in January. By December, growth was cut in half, resulting in a 1.9 percentage point drop. In each of the other three counties of the region, December growth was down 1.8 percentage points from January. It should be noted, however, that the region was one of only four metro areas in Pennsylvania to realize an increase in nonfarm job growth between the first and fourth quarters of 1989. Hence, the slowing pattern evident at year-end does not appear to have been especially pronounced.

The consensus forecast for the U.S. economy is for some slowing in the year ahead. Since trends nationwide usually dictate the direction of activity in the region, the slowing pattern evident in the final months of 1989 will carry on into 1990. It must be stressed that the forecast is for a slowdown in growth, not negative growth. Nothing on the horizon suggests that the recovery is about to come to an end.

Lancaster

Although the 3.4 percent increase in the number of Lancaster County residents officially listed as employed represents a decline from 1988's 4 percent advance, it still left employment at a record high for the sixth consecutive year. All told, employment stood at 218,200 during the year for a gain of 7,200 from 1988. The region continues to experience healthy growth in the labor force, a trend typically associated with strong overall employment conditions. The 3.1 percent labor force gain in 1989 was almost double the Statewide average.

While unemployment declined once again, the jobless rate dropped from 3.5 percent in 1988 to 3.2 percent in 1989, some worrisome trends developed near year-end. The number of unemployed fell by 400 over the course of the year, but in the fourth quarter, the absolute level of unemployment was actually up by 1,300 over 1988:IVQ. The same trend was evident Statewide where it carried over into the first month of the new year. Only time will tell if unemployment will be subject to upward pressure in Lancaster County during 1990.

For the first time since 1985, factory job levels declined in 1989 in the Lancaster metro area. Specifically, they were off 1.5 percent or by 900 in settling at a reading of 59,200. However, while factory job levels in much of the rest of the Commonwealth hover near all-time lows, job readings in Lancaster County remain just below record high readings. The average factory workweek also remained near an all-time high, suggesting that significant job losses are not in the offing as of now. Industrial power sales edged up 2.4 percent last year which suggests that production probably held its own. The region's 5.2 percent increase in average hourly earnings in the factory sector last year was the third highest in the State and surpassed the 4.7 percent estimated increase in the price level.

Last year's job losses were spread evenly across the durable and nondurable goods industries. The region's largest manufacturing industries such as fabricated metals, food products, and printing and publishing witnessed minimal declines or held job levels steady.

Nonmanufacturing job levels rose 3.9 percent during 1989, down from the 4.7 percent average from the 1982-1988 period. In absolute terms, the 129,400 jobs in these establishments in 1989 represent a gain of just under 5,000 over 1988 levels. Between them, the services and retail trade industries, which have provided the bulk of all new jobs in recent years, accounted for 3,500 new positions in 1989. The construction industry added 500 new jobs. Construction contract values show some growth on both the residential and nonresidential sides.

All things considered, 1989 was another solid year for the Lancaster County economy. Some argue that the growth in the region is tapped out, that gains similar to those recorded over the past several years are unlikely in the future. The region's labor force participation rate, at 54.4 percent in 1988, was surpassed by only four other counties in the State and was well above the 49.3 percent average for the Commonwealth as a whole. Whether or not an adequate labor pool exists to fuel further economic growth in Lancaster County is questionable.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	2,349.1	124	123	123
Unemployed, no. of residents	96.3	59	51	56
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	2,445.5	118	117	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,205.6	120	119	119
Nonmfg. only, no. of jobs	1,839.4	132	131	131
Mfg. only, no. of jobs	365.0	82	82	82
Hrs. worked by production workers in mfg., *ave. weekly*	40.8	102	102	102
Industrial electric power sales	***	110	112	111
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,654.0	−16		
Nonresidential contracts only	1,939.4	+13		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Philadelphia

While much of the rest of southeastern Pennsylvania turned in another impressive performance in 1989, the Philadelphia metropolitan area's showing was lackluster, at best. Except for the possible exception of retail trade, no sector stands out as turning in an above-average performance. This represents a significant change from the mid 1980s when the metro area was among the strongest in the State. Still, for 1989, the positives outweighed the negatives and the region continued to advance.

On the bright side, retail sales were up 7.6 percent through November relative to the first 11 months of 1988. The increase is more than double the gain recorded in Pennsylvania and represents an improvement over 1988's 5.5 percent advance. Not surprisingly, sales growth for nondurable goods, at 10.2 percent, was especially impressive. The one notable drop came in sales by automobile dealers, a trend evident Statewide. Retail trade establishments generated an additional 3,600 jobs over the course of the year. In percentage terms, the job gain fell well short of the average from the previous six years.

Overall, construction activity appeared to shrink in 1989. Job levels advanced by a minimal 700. A gain in contract values on the nonresidential side was offset by a decline for residential projects. Most importantly, the number of new housing units authorized by permit declined by nearly one-fourth for the five Pennsylvania counties in the region. The number of permits for new nonresidential projects fell 10 percent short of 1988 figures.

For the nonmanufacturing sector as a whole, jobs were up a minimal 1 percent last year to stand at 1,821,200. Of the 14 other metropolitan areas within the Commonwealth, 13 had stronger nonmanufacturing job growth rates. Over the 1982-1988 period, job growth averaged more than 3 percent per year. Jobs in the services industry rose by 11,700 during the year. Health services, which accounts for 30 percent of all service jobs, added 4,300 new jobs or 37 percent of the total gain in the service sector.

In terms of job trends, the factory sector continued to have its fair share of problems. Jobs receded for the fifth consecutive year. All told, the 364,800 jobs in these establishments represent another all-time low. Job losses in these industries are quite similar in magnitude to declines evident in the State as a whole. On the plus side, electricity sales to industrial customers continued to advance, suggesting that production is at least holding its own. Also, the average hourly workweek is holding fairly steady near record high readings.

Last year's factory job losses were concentrated in the durable goods industries. This represents a continuation of the long-term trend. Since 1979, durable goods jobs in the metro area declined by 22 percent. On the nondurable goods side, the decline works out to 17 percent. The region's largest manufacturing industry, printing and publishing, employed 100 more workers in 1989 compared to 1988. The second largest, nonelectrical machinery, saw job levels shrink by 300 over the course of the year.

Although the metro area's jobless rate, at 3.8 percent, was well below the State's 4.5 percent reading, employment growth was considerably lower than in the Commonwealth. Specifically, last year's 1.5 percent gain in employment fell 0.7 percentage point below Pennsylvania's 2.2 percent gain. The shortfall in employment growth relative to Statewide trends represents a recent turn of events. In fact, comparisons with the early 1980s suggest that employment growth was actually stronger in the Philadelphia metro area than in the Commonwealth. A deterioration in overall employment and unemployment trends was evident as 1989 came to a close.

The next year will likely mirror trends from 1989. Growth will continue, but it will fall well below Statewide, and especially nationwide, norms. Once again, the goods-producing industries will hold overall growth back and the weakness in those industries will continue to spill over into the service-producing sector. Perhaps the most discouraging trend likely to occur in 1990 will be a continuation of the upward pressure on unemployment which first became evident in the final months of 1989.

Reading Area[1]

	Ave. mo. value 4 Q.'89	Average monthly index seas. adj. (1977 = 100) 4 Q.'89	3 Q.'89	4 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	173.5	126	126	124
Unemployed, no. of residents	7.5	96	73	88
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	181.0	124	122	122
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	157.5	118	117	115
Nonmfg. only, no. of jobs	108.2	132	130	128
Mfg. only, no. of jobs	49.3	96	96	95
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	104	105	104
Industrial electric power sales	***	140	142	141
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	158.6	+12		
Nonresidential contracts only	157.6	+61		

[1] Berks County

Reading

Nonagricultural job growth in Berks County was quite impressive in 1989. All told, jobs totaled 154,100, a gain of 2.7 percent over a year ago. Over the 1982-1988 period, job growth averaged just 1.8 percent. Statewide, last year's gain came to just 1.4 percent. On the negative side, growth did ease as the year wore on. In the first quarter, jobs totaled 3.3 percent more than in the same period in 1988. During the final three months of the year, that growth rate was cut by one-third.

Once again, the nonmanufacturing sector accounted for the majority of all new jobs. The 3.2 percent gain in these jobs came on the heels of a 2.9 percent gain in 1988. All told, the 105,300 jobs in these establishments translate into a gain of 3,300 positions over 1988. Job levels have remained at record readings since 1983. The services industries accounted for 1,100 new jobs in 1989 while the retail trade sector added 900 new employees. Building-related jobs advanced by about 400. The value of construction contract awards increased for both residential and nonresidential projects.

Manufacturing jobs have now increased for two straight years following three consecutive years of decline. The 48,800 jobs in these industries work out to a gain of 800 or 1.7 percent over 1988 levels. In combination with an uptick in the average workweek and in industrial power sales, this information suggests that the factory sector is holding its own. Job gains were fairly widespread as 9 of the 13 industries tracked either added jobs or held job levels steady. Leading the way was the food products industry with 500 additional jobs in 1989. The electronic equipment industry added 400 new positions.

Not surprisingly, employment and unemployment trends remained quite encouraging. Employment rose by 6,500 to another record high of 172,400. This gain was strong enough to absorb a net inflow into the labor force totaling 5,800 and reduce the number of unemployed by 600. The end result was a reduction in the unemployment rate of 0.5 percentage point as it came in at 3.9 percent for the year. Employment/unemployment trends have been impressive for the past several years. This has resulted in concerns over a potential labor shortage. Indeed, in 1988, the labor force participation rate in Berks County, at 53.2 percent, came in considerably higher than the Commonwealth's 49.3 percent reading. This suggests that labor markets are relatively tight in the region.

The year-end slowdown was also evident in employment and unemployment trends, however. Employment growth was cut by two-thirds as the year progressed. The number of residents counted as unemployed came in higher than year-ago readings in each of the final three months of 1989.

That slowdown did little to subtract from previous gains. As a result, 1989 was another banner year for the Reading metropolitan area. Year after year, Berks County turns in one of the strongest economic performances in the State. When the next national recession does occur, and it is not in our forecast for 1990, the region should hold up quite well, at least in relative terms.

York

The York metropolitan area economy continues to perform at a pace a notch or two above the State as a whole, just as it has been doing throughout much of the 1980s. At the same time, some worrisome trends evident Statewide are also characteristic of the bi-county region. Specifically, there remains a relatively large gap between the performances of the service- and goods-producing sectors. Also, several measures of economic activity did slow a bit as the year came to a close.

These trends will likely limit growth into 1990. In light of the sub-par performance expected for the U.S. economy this year, it is doubtful that activity will increase by any appreciable amount in Adams and York Counties. But still, the past several years have left the economy operating at or near record levels of activity. The slowdown which is forecast will not subtract a great deal from those gains.

The economy's relative strength was evident in last year's employment and unemployment trends. The increases in the labor force and in employment were considerably stronger than in Pennsylvania and the region's 4 percent jobless rate was 1.5 percentage points below the Statewide average. The 215,000 residents officially listed as employed in 1989 represent another record high, the sixth straight year in which a new peak has been reached. However, just as elsewhere in the State, some slowdown is evident near year-end. During the first three months of the year, employment was up by 11,300 over a year ago. By the fourth quarter, that increase had been cut to 2,900.

There was a minimal gain of 100 jobs in the factory sector. All told, these establishments were home to 61,400 jobs last year. However minimal the gains have been, the past three years have brought additional factory jobs to the region. In light of the downtrend in factory jobs Statewide, any new jobs in these all-important industries are welcome. While much of the rest of Pennsylvania has lost manufacturing jobs over the course of the current recovery, job levels in the York metropolitan area have increased 5.8 percent from their recessionary lows.

On the nonmanufacturing side, job levels grew a much stronger 2.6 percent last year. However, during the 1982-1988 period, the gain averaged 4 percent per year. Still, the 117,600 positions in these establishments translate into another record high. Between them, the services and retail trade industries accounted for 2,000 new jobs last year. In the former, jobs are up by more than one-half since 1979. Retail trade jobs have increased by one-third over the past decade. The gains recorded in both industries have been considerably stronger than in the State as a whole.

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'89	*4 Q.'89*	*3 Q.'89*	*4 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	214.0	138	137	136
Unemployed, no. of residents	9.6	101	90	94
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	223.7	136	134	134
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.7	126	126	125
Nonmfg. only, no. of jobs	119.7	144	143	141
Mfg. only, no. of jobs	61.0	102	102	103
Hrs. worked by production workers in mfg., *ave. weekly*	41.9	102	102	103
Industrial electric power sales	***	106	109	125
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	242.4	+ 4		
Nonresidential contracts only	99.1	−29		

[1]Adams and York Counties

There may be some softness in construction activity. Contract values were off 29 percent on the nonresidential side last year to go along with a minimal gain of just 4 percent on the residential side. Permit authorizations for new housing units were down 23 percent last year in Adams County. (York County data are not available.) On the other hand, a 9 percent gain was recorded for nonresidential permits. Building-related jobs rose by 200 for the year, a gain of 2.1 percent. Over the course of the 1982-1988 period, construction jobs rose by an average of 8.6 percent each year.

— William D. Anderson

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March 1990

SHORT-TERM NEWS IS GOOD; LONG-TERM TRENDS SHOW SOME WEAKNESS

The new year is off to a fair start in Pennsylvania as the goods-producing sector turned in a respectable showing alongside continued expansion in service-producing activity in January. The strength in construction and manufacturing is not expected to continue, however, and economic growth in the Commonwealth should settle into a slow-growth pattern in the months ahead. Renewed optimism with respect to the U.S. economic outlook on the part of many is probably premature. All too often, analysts and forecasters respond in a knee-jerk fashion to, sometimes misleading, signs of possible changes in the economy's fortunes. Indeed, recent fears of rising interest rates are probably premature and unwarranted. As 1990 wears on, it is expected that sub-par economic growth will dominate, resulting in some easing in the financial markets and inflationary pressures.

After falling below year-ago readings in every month during 1989, new housing units authorized by permit currently stand 2.7 percent higher than in the first month of 1989 (chart). On the negative side, the recent decline in permit growth has been stronger in the Commonwealth than in the U.S. and the January uptick in Pennsylvania was swamped by the U.S.' 25 percent gain. (The large January increase in the U.S. is a bit suspect. A similar gain occurred in the first month of 1989 before a downtrend set in during the final 11 months of the year.) The value of residential construction contracts awarded comes in below readings from a year ago. However, valuations for nonresidential building and nonbuilding projects stand higher than in January 1989.

Perhaps because of relatively mild weather, **the normal January drop in construction jobs was a bit less than expected this year, resulting in a slight seasonally adjusted gain in job levels.** In fact, the 215,000 building-related jobs in January translate into a record high after seasonal adjustment. **The news on the jobs front is also encouraging in the State's factories.** As with construction, the decline during the first month of the year is not as pronounced as expected. Still, the 1,036,000 manufacturing jobs come in 15,000 below a year ago.

Other indicators of the factory sector's health also point up, at least based on month-to-month comparisons with December. The average workweek and hourly and weekly earnings are each up on a seasonally adjusted basis. On the other hand, the average workweek falls 0.5 hour short of its reading from a year ago and the annual increase in earnings fails to keep up with the rise in the overall price level.

Retail sales trends in 1989 in Pennsylvania are not especially impressive. (January 1990 figures are not yet available.) While sales are up compared to 1988 figures, the 3 percent increase falls well short of the 5 percent U.S. gain (chart). This comes on the heels of four consecutive years in which sales growth in Pennsylvania was stronger than in the nation. Furthermore, the increase is the lowest on record, dating back to the late 1970s. **Much of the decline in the growth in retail sales is accounted for by the automotive component.** Sales by the State's auto dealers are off by nearly 5 percent from 1988 levels (chart). In a related note, new vehicle registrations are off 8.6 percent in 1989 compared to 1988. Elsewhere, sales growth comes in pretty much in line with trends over the previous decade. **There is a rather exaggerated seasonally adjusted increase in retail trade jobs in January. Post-holiday layoffs are not as pronounced as usual this year (thereby accounting for the seasonally adjusted increase), as the hiring of temporary workers appears to have been relatively slack in the final months of 1989.**

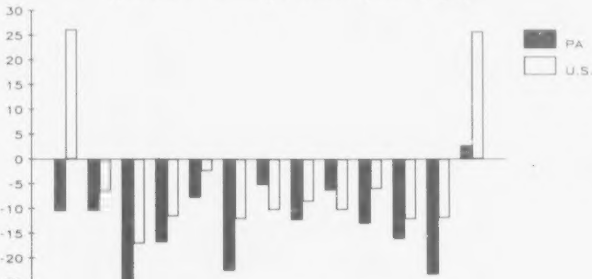
Growth in nonfarm jobs has declined considerably over the past several months. In January, the 5,060,000 jobs in

New Pennsylvania building permit authorizations (percent change from year ago)

	Jan.	Pct. chg.
Residential	2,502	2.7
Nonresidential	706	−18.5

Source: U.S. Dept. of Commerce, Bureau of the Census.

PENNSYLVANIA AND U.S. HOUSING PERMIT GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
December	51,999	− 18.7
1989 YTD	665,450	− 8.6

Source: R.L. Polk & Co.

these establishments represent a gain of less than 1 percent from the year-ago month. In January 1988, growth came to 2.5 percent (chart). As with several other measures of economic activity, growth in Pennsylvania nonagricultural job levels has failed to keep up with national norms over the course of the past several months.

(You may notice that establishment job data are being presented in a slightly different format than in the past. Previously, the data were structured along manufacturing/nonmanufacturing lines. However, because of changes in the way the data are reported by Pennsylvania's Department of Labor and Industry, they are now reported in a goods-producing/service-producing format.)

Resident employment and unemployment readings show little change in January from the previous month. However, when compared to a year ago, some deterioration is noticeable. All told, the jobless rate comes in at 5.2 percent, seasonally adjusted, unchanged from December, but up from 4.3 percent a year ago. Furthermore, after coming in below national readings for much of the past three years, Pennsylvania's jobless rate is approaching the U.S. average. It is expected that employment growth will be minimal over

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989-1990		1989	1989-1990		1989	1989-1990		1989
	December	*January*	*January*	*December*	*January*	*January*	*December*	*January*	*January*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,171	5,060	5,015	5,134	5,149	5,104	112.5	112.8	111.8
Service Producing									
No. of wage and salary jobs (thous.)	3,867	3,781	3,727	3,827	3,837	3,783	127.9	128.3	126.4
Transportation and public utilities	257	251	253	254	253	255	96.9	96.8	97.4
Wholesale trade	282	282	277	283	283	279	127.4	127.7	125.7
Retail trade	927	892	884	895	904	896	124.8	126.0	125.0
Finance, insurance & real estate	297	296	292	298	299	295	136.8	137.4	135.6
Service & miscellaneous	1,393	1,367	1,334	1,395	1,394	1,361	161.7	161.6	157.8
Federal government	143	142	142	143	143	143	111.7	111.4	111.4
State & local government	563	553	545	554	559	551	95.0	96.0	94.6
Goods Producing									
No. of wage and salary jobs (thous.)	1,302	1,278	1,288	1,307	1,312	1,322	83.1	83.4	84.0
Construction	234	215	209	238	240	234	129.1	130.6	127.2
Mining	28	27	27	28	28	28	57.5	57.5	58.1
Manufacturing	1,041	1,036	1,051	1,041	1,044	1,060	77.6	77.8	79.0
Durable goods	591	588	605	591	593	610	72.9	73.3	75.3
Nondurable goods	450	448	447	450	451	450	84.5	84.8	84.6
Ave. wkly. hrs. worked by prod. workers	40.8	40.6	41.1	40.3	40.7	41.2	102.0	103.0	104.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average hourly earnings (dollars)	10.84	10.88	10.55	10.78	10.84	10.52	184.2	185.3	179.8
Average weekly earnings (dollars)	442.27	441.73	433.61	433.44	441.03	433.00	187.4	190.6	187.2
Steel production (thous. tons)	808	1,032	1,183	n.a.	n.a.	n.a.	42.1	50.2	57.6
Industrial electric power sales (mil. kwh)	3,724	3,807	3,857	3,805	3,842	3,877	103.0	104.0	105.0
Mining									
Anthracite coal (thous. net tons)	291	307	281	300	379	361	61.3	77.7	73.8
Bituminous coal (thous. net tons)	5,367	5,559	5,590	6,290	5,386	5,525	89.2	76.4	78.3
Construction contracts awarded (mil. dols.)									
Total	619.0	529.7	549.3*	778.1	801.2	830.8*	241.9	249.0	258.2*
Residential building	229.6	188.4	297.7*	302.3	274.1	431.6*	214.8	194.7	306.6*
Nonresidential building	249.4	202.7	146.8*	331.0	289.2	224.3*	305.1	266.6	206.8*
Nonbuilding (utilities and public works)	140.0	138.7	104.8*	144.8	237.9	174.9*	199.8	328.3	241.3*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,567	5,513	5,562	5,572	5,589	5,644	116.0	116.3	117.4
Unemployed									
No. of persons (thous.)	288	348	294	308	310	257	76.9	77.3	64.2
Rate (percentage of labor force)	4.9	5.9	5.0						
Rate, seasonally adjusted				5.2	5.2	4.3			
Civilian labor force, no. of persons (thous.)	5,855	5,860	5,856	5,881	5,898	5,901	112.9	113.3	113.3
Initial claims for unemployment benefits	141,203	149,608	132,682	100,773	86,090	79,575	70.4	60.1	55.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989-1990		1989	*Month*	*Year*
	December	*January*	*January*	*Ago*	*Ago*
U.S. city average	126.1	127.4	121.1	1.0	5.2
Philadelphia	129.9	131.2	125.7	1.0	4.4
Pittsburgh	121.8	n.a.	116.7&	n.a.	4.4

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[1] Total includes workers on strike. * = figure revised & figure for December 1988 n.a. = data not available

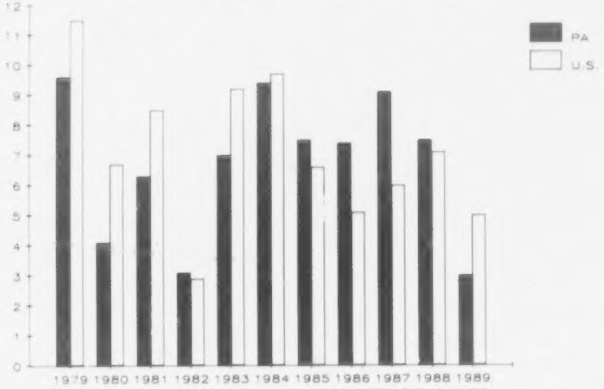
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	December	Pct. chg.	Year-to-date	Pct. chg.
Total	8,323	1.1	81,007	3.0
Durables	2,611	– 5.3	29,247	– 0.6
Bldg. mat.		1.6		– 4.3
Auto dlrs.		– 9.5		– 4.7
Furniture		2.1		14.1
Other		– 5.4		4.7
Nondurables	5,712	4.3	51,760	5.1
Gen. mdse.		1.0		0.8
Food/grocery		6.6		4.9
Gas		7.9		5.7
Apparel		3.5		4.8
Eat/drink		– 3.0		4.9
Drugs		3.1		10.6
Other		16.1		10.3
Seas. adj. total: December		6,999		
November		6,959		

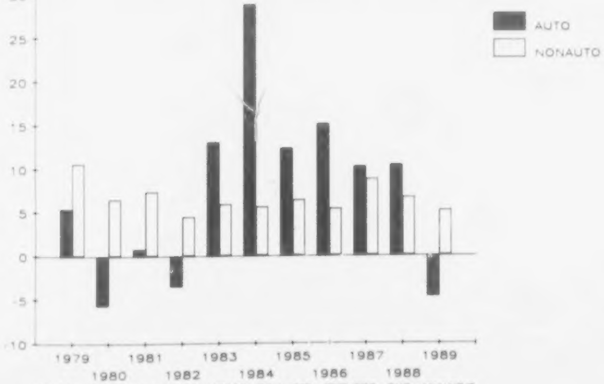
Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

PENNSYLVANIA AND U.S. RETAIL SALES GROWTH
(percent change from year ago)



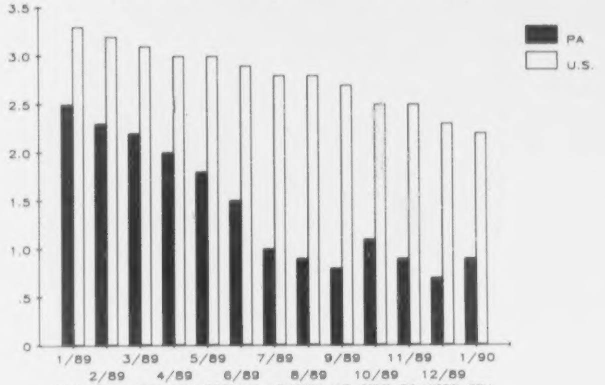
SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

PA AUTO AND NONAUTO RETAIL SALES GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA AND U.S. NONFARM JOB GROWTH
(percent change from year ago)



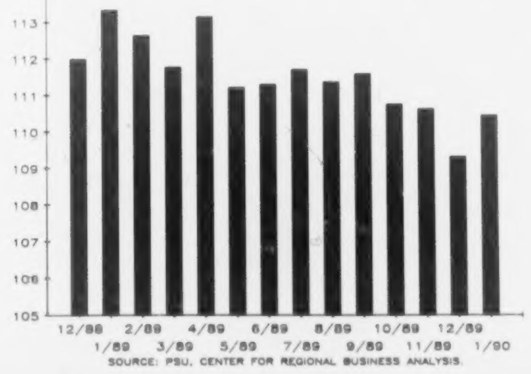
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. DEPT. OF LABOR; PSU.

the course of the next several months, resulting in some upward pressure on joblessness. Indeed, the February data show such a trend. The February figues also show that the Pennsylvania jobless rate rose above national readings.

All things considered, January was not a bad month for the Pennsylvania economy, especially when compared to December. However, longer-term trends are a bit more worrisome. Specifically, year-over-year growth has slowed to a crawl according to several economic indicators. Such a development is evident in several other states, as well. At the same time, the Pennsylvania index of leading indicators reversed a two month decline in January (chart). Furthermore, while it has been suggested that the recent batch of apparently favorable indicators of the nation's economic health be treated with caution, recent trends do suggest that the U.S. will likely, once again, postpone a recession, much to the benefit of Pennsylvania.

On the negative side, assuming that the slowdown remains concentrated in the goods-producing industries, especially manufacturing, the economic weakness expected is likely to be more pronounced in Pennsylvania than in the U.S. This is especially true in light of the high concentration of Pennsylvania manufacturing jobs in slow-growth industries (see the February 1990 issue of the *PBS* for further discussion). In December, manufacturing jobs in Pennsylvania declined 1.6 percent from a year ago, a performance improved upon by 36 other

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan. 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

states. Clearly, should such a trend continue, overall economic growth will come in well below national norms in Pennsylvania, a trend reminiscent of much of the mid 1980s.

— *William D. Anderson*

Personal Income Report

The most recent personal income trends in Pennsylvania continue to point to an economy that is expanding and appears in little danger of slipping into recession. For last year's third quarter, personal income totaled $212.7 billion for a 7.9 percent gain from a year ago. As highlighted three months ago in the previous "Personal Income Report," trends in this all-important measure of overall economic activity are perhaps the strongest and most positive of any of the measures used to track the economy's health. The 8.3 percent year-to-date personal income gain represents the strongest showing since the early 1980s. Trends are equally impressive if the analysis is limited to the nonfarm component of the total.

There are, however, a few negatives in the picture. The most notable is the State's poor showing relative to the nation. Specifically, the annual growth in personal income in Pennsylvania has been below nationwide norms in each of the past six quarters. In last year's third quarter, the United States' 8.5 percent increase in personal income was 0.6 percentage point higher than the Commonwealth's advance. Although still impressive, the rate of increase in personal income did slow in last year's third quarter. Pennsylvania's 7.9 percent increase followed gains of 8.4 and 8.6 percent in the first two quarters of the year. This mirrors the year-end slowdown in the economy as a whole. Furthermore, since that overall slowing pattern in the economy is expected to continue in the Commonwealth, personal income trends over the next several months are not likely to be quite as impressive as they have been of late. Nonetheless, in that a recession is not currently in the forecast, it is unlikely that personal income trends will deteriorate considerably.

Pennsylvania personal income
(seas. adj. ann. rate; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1989:IIIQ	212,671	2.0	7.9	211,692	2.0	8.0
1989:IIQ	208,599	1.5	8.6	207,461	1.6	8.5
1989 YTD	208,899	n.a.	8.3	207,788	n.a.	8.2

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

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ECONOMY CONTINUES TO IDLE IN FEBRUARY

February proved to be another uneventful month in Pennsylvania as conditions continue to point to an economy that, if anything, is moving sideways. The overall employment and job pictures remain somewhat cloudy. Manufacturing is perhaps best characterized as being in a mini-slump. Construction activity continues to ease. Still, **all things considered, the economy's overall rate of growth probably remains positive. However, the rate of expansion has eased considerably over the course of the past year.**

This rather stagnant growth pattern is evident in the recent behavior in the Pennsylvania index of coincident indicators. During the past eight months, the index has declined six times. It is perhaps worthwhile to review the design of the index. The coincident index represents a measure of the current rate of economic *growth.* All too often (and sometimes in this publication) the index is treated as a proxy for overall economic *activity.* The downtrend in the index of late depicts an economy that is still growing at a positive rate, but it is the rate of growth that is on the decline.

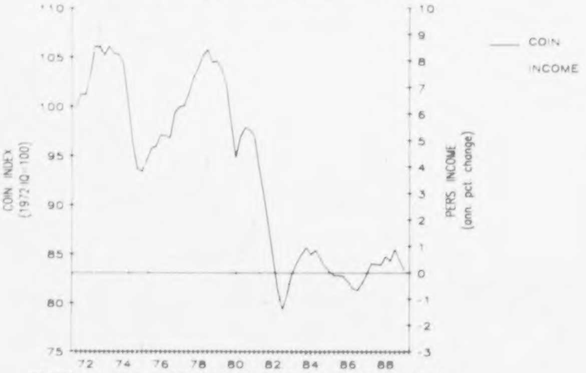
The historical relationship between the index and the overall rate of economic growth (as opposed to the level of economic activity) is evident in the accompanying chart. Trends in real personal income are perhaps the best indicator of economic growth. (Unfortunately, personal income information is only available through last year's third quarter.) Over time, the coincident index has tracked this growth rate, in a qualitative sense, quite well. When all of the ups and downs in the economy's growth rate during the last half of the 1980s are averaged out, growth appears to have held fairly steady. Much the same is true for the coincident index.

As an aside, compared to the rather precipitous declines during earlier recessionary periods, the recent downtrend in the index is not especially alarming. **During the recessions of the mid 1970s and the early 1980s (twice), the coincident index declined in a rather rapid fashion. There are no signs in recent months of such a free-fall in the coincident index.**

February employment and unemployment trends suggest some softening in the economy. The number of residents officially listed as employed is practically unchanged from the previous month and from a year ago. In light of a rather sizable gain in the labor force, the rate of unemployment jumped considerably. At a seasonally adjusted 5.7 percent, the jobless rate is up 0.5 percentage point from January and 1.4 points from 12 months earlier. **While employment is not expected to decline considerably, it is unlikely that enough jobs will be generated to result in renewed downward pressure on joblessness.**

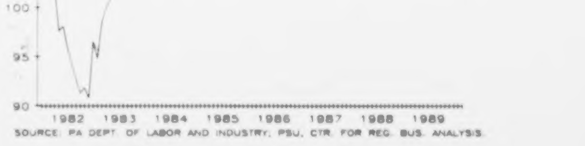
As was the case throughout the mid 1980s, the manufacturing sector once again appears to be holding back job and employment gains. As of February, job levels, at 1,033,000, are off 17,000 from a year ago. All of the decline comes in the durable goods industries, a trend which typically occurs when economic growth turns down. But it is impor-

THE COINCIDENT INDEX AND THE PCT. CHG. IN PA REAL PERSONAL INCOME



SOURCE: U.S. DEPT. OF COMMERCE, PSU, CTR. FOR REG. BUS. ANALYSIS

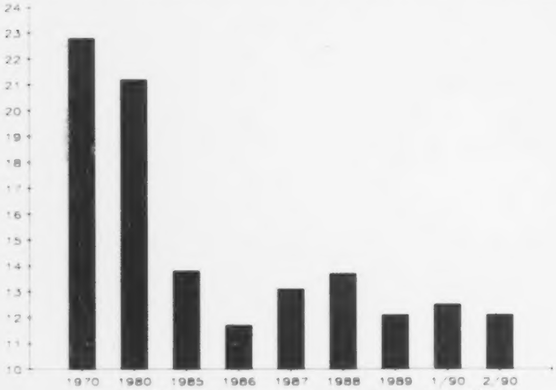
PENNSYLVANIA MANUFACTURING OUTPUT AND JOBS (1982-1983=100)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS tant not to rely solely on job trends in gauging the factory sector's health. **While the long-term trend in jobs has been down, manufacturing production, as measured by the Pennsylvania Manufacturing Activity Index (PMAI), is up considerably during the past several years** (chart). The Pennsylvania manufacturing sector is producing more goods with fewer workers, partly because of an increase in worker productivity. On the negative side, the PMAI has turned down in recent months, another indication of slack in the overall economy.

Despite the uptick in production over the course of the past several years, there are still some worrisome developments unfolding in the factory sector. For instance, as recently as 1980, the Commonwealth accounted for more than one-fifth of all steel produced in the United States (chart). However,

PA STEEL PRODUCTION AS A PERCENT OF THE U.S.



SOURCE: AM. IRON AND STEEL INST., PSU, CTR. FOR REG. BUS. ANALYSIS.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	January	*February*	*February*	*January*	*February*	*February*	*January*	*February*	*February*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,066*	5,084	5,038	5,154*	5,157	5,114	112.9*	113.0	112.0
Service Producing									
No. of wage and salary jobs (thous.)	3,789*	3,811	3,754	3,844*	3,847	3,792	128.5*	128.6	126.8
Transportation and public utilities	251	253	253	254*	255	256	96.9*	97.5	97.7
Wholesale trade	282	281	277	283	283	280	127.7	127.7	126.1
Retail trade	889*	879	875	901*	903	899	125.6*	125.9	125.4
Finance, insurance & real estate	296	296	293	299	299	296	137.4	137.4	136.0
Service & miscellaneous	1,371*	1,390	1,350	1,399*	1,405	1,366	162.2*	162.9	158.3
Federal government	143*	143	142	144*	143	143	112.0*	111.7	111.5
State & local government	557*	569	558	564*	562	551	96.8*	96.4	94.6
Goods Producing									
No. of wage and salary jobs (thous.)	1,277*	1,271	1,283	1,310*	1,310	1,322	83.3*	83.2	84.0
Construction	214*	212	206	239*	241	235	129.8*	130.9	127.8
Mining	27	27	27	28	28	28	57.7*	58.3	57.9
Manufacturing	1,036	1,033	1,050	1,044	1,042	1,059	77.8	77.6	78.9
Durable goods	588	586	603	593	592	609	73.2*	73.1	75.2
Nondurable goods	448	447	447	451	450	450	84.8	84.5	84.6
Ave. wkly. hrs. worked by prod. workers	40.6	40.5	40.9	40.7	40.7	41.1	103.0	103.1	104.0
Total wkly. person-hours worked (mils.)	29.0	28.8	29.7	29.3	29.2	30.1	76.3	76.0	78.5
Total wkly. payroll (mil. dols.)	315.3	313.8	314.7	316.8	317.0	318.2	141.0	141.1	141.6
Average hourly earnings (dollars)	10.87	10.89	10.58	10.84	10.88	10.57	185.3	186.0	180.7
Average weekly earnings (dollars)	441.32	441.05	432.72	440.44	443.27	434.83	190.4*	191.6	188.0
Steel production (thous. tons)	1,034	921	1,088	n.a.	n.a.	n.a.	50.2	45.2	53.2
Industrial electric power sales (mil. kwh)	3,807	3,651	3,776	3,842	3,706	3,827	104.0	100.4	103.6
Mining									
Anthracite coal (thous. net tons)	307	286	234	379	361	294	77.7	73.9	60.3
Bituminous coal (thous. net tons)	5,559	5,504	5,611	5,386	5,761	5,878	76.4	81.7	83.3
Construction contracts awarded (mil. dols.)									
Total	529.7	457.1	526.5*	801.2	669.6	763.7*	249.0	208.1	237.4*
Residential building	188.4	188.9	240.2*	274.1	312.0	398.7*	194.7	221.7	283.3*
Nonresidential building	202.7	182.7	142.3*	289.2	263.4	205.7*	266.6	242.8	189.6*
Nonbuilding (utilities and public works)	138.7	65.5	143.7*	237.9	94.2	159.3*	328.3	130.0	219.8*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,513	5,510	5,506	5,589	5,613	5,617	116.3	116.8	116.9
Unemployed									
No. of persons (thous.)	348	373	283	310	335	247	77.3	83.5	61.6
Rate (percentage of labor force)	5.9	6.3	4.9						
Rate, seasonally adjusted				5.2	5.7	4.3			
Civilian labor force, no. of persons (thous.)	5,860	5,883	5,788	5,898	5,947	5,864	113.3	114.2	112.6
Initial claims for unemployment benefits	149,608	90,546	78,866	86,090	96,380	84,151	60.1	67.3	58.8

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	January	*February*	*February*	*Ago*	*Ago*
U.S. city average	127.4	128.0	121.6	0.5	5.3
Philadelphia	131.2	132.2	125.4	0.8	5.4
Pittsburgh	n.a.	123.4	117.9	n.a.	4.7

---

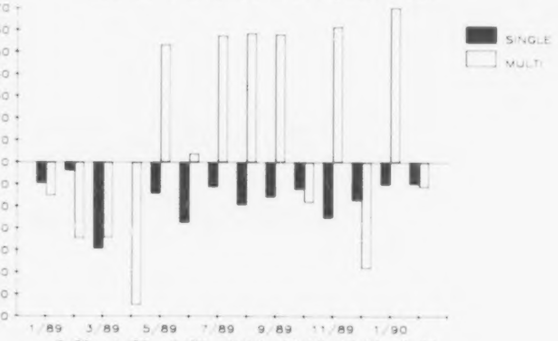
[1] Total includes workers on strike. * = figure revised n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

New Pennsylvania building permit authorizations (percent change from year ago)

	Feb.	Pct. chg.	Year-to-date	Pct. chg.
Residential	2,439	−10.0	4,914	−10.9
Nonresidential	854	− 5.5	1,535	−12.3

Source: U.S. Dept. of Commerce, Bureau of the Census.

PA HOUSING PERMIT GROWTH; SINGLE- AND MULTI-FAMILY UNITS
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE, PSU, CTR. FOR REG. BUS. ANALYSIS

the most recent readings show that Pennsylvania accounts for just over 10 percent of the nation's steel production.

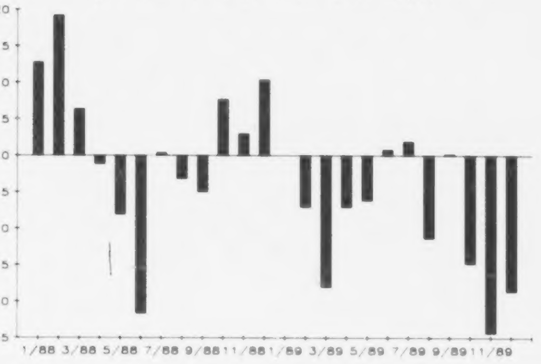
Construction jobs continue to creep forward, despite the fact that other indicators of building activity remain on a downtrend. In fact, construction jobs remain at record high readings. However, the number of new residential housing units authorized by permit is down more than 10 percent so far this year compared to the first two months of 1989. The value of construction contract awards is down in February from year-ago readings, with all of the decline coming in the residential and nonbuilding sectors.

During the course of the past 14 months, the authorization of new single-family housing units has fallen consistently below their year-ago readings (chart). Surprisingly, permit authorizations on the multi-family side have shown some periodic strength. Still, the overall trend continues to point down.

In the service-producing sector, the services industries continue to generate the bulk of all new jobs. The monthly gain of 19,000 service jobs in February works out to 6,000 more than expected, given past seasonal patterns. The retail trade industry accounts for 879,000 jobs, up just 4,000 from 12 months earlier. The downtrend in the purchase of new motor vehicles in Pennsylvania through December of last year is apparent in the accompanying chart. In all but four months last year, new registrations were down from year-ago readings. The declines were especially pronounced near year-end. (Additional indicators of retail activity, January sales and new vehicle registrations, are not yet available.)

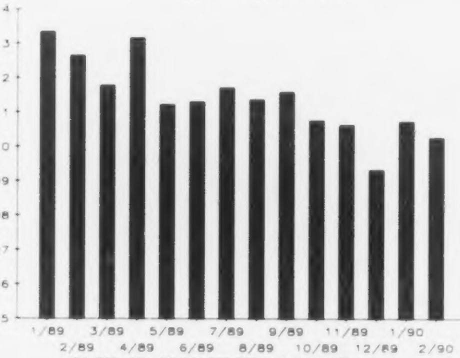
The index of leading indicators is down in February for the fourth time in the past five months (chart). As with the coincident indicators, this does not suggest that the absolute level of economic activity is likely to fall, but rather, that the pace of overall economic growth will lessen somewhat.

GROWTH IN PA NEW VEHICLE REGISTRATIONS
(percent change from year ago)



SOURCE: R.L. POLK & CO.; PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan. 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Pennsylvania Composite Indexes

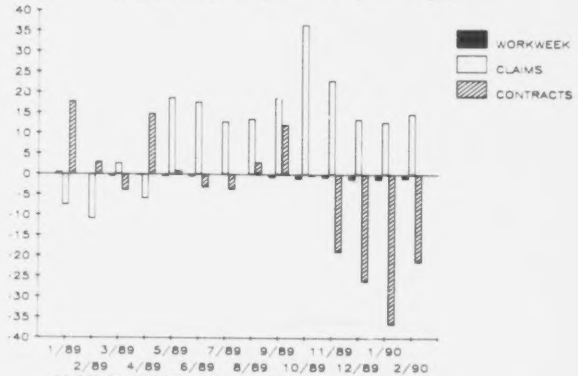
	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
June 1989	111.3	85.3	0.1	0.0
July	111.7	84.8	0.4	−0.6
August	111.4	84.5	−0.3	−0.4
September	111.6	84.2	0.2	−0.4
October	110.8	84.1	−0.7	−0.1
November	110.6	84.6	−0.2	0.6
December	109.3	83.6	−1.2	−1.2
January 1990	110.7	84.1	1.3	0.6
February	110.3	84.0	−0.4	−0.1

None of the three components of the leading index have moved in a favorable fasion in recent months (chart). The average workweek remains down slightly from year-ago readings, just as it has been for the past several months. Whereas the growth from year-ago readings was positive several times during the first three quarters of 1989, the value of residential construction contract awards has declined considerably in each of the past four months. Likewise, initial claims for unemployment insurance have been at least 10 percent higher than a year ago in each of the past ten months.

While this review has focused in on the more apparent negative aspects of recent economic trends, it is best to once again conclude with a positive note. **The strength evident in most of the service-producing industries, especially services itself, will likely pull the economy through. Much of the current economic weakness is confined to the goods-producing industries. Together, they account for about 31 percent of the earnings component of personal income and 26 percent of all nonfarm jobs. One can argue that at least two-thirds of economic activity in Pennsylvania is accounted for by industries which are exhibiting some, though in many cases moderate, growth.**

— *William D. Anderson*

RECENT TRENDS IN PA LEADING INDEX COMPONENTS
(percent change from year ago)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; F.W. DODGE; PSU

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PLENTY OF ROOM FOR IMPROVEMENT

Economic growth in Pennsylvania continues to ease based upon trends through this year's first quarter. Much of the slack is in the goods producing industries. However, trends also point to some slowing in the service producing industries, especially in retail trade. These developments mirror the situation in the national economy.

As was the case in the mid 1980s, **the Commonwealth's performance relative to the U.S.' provides some cause for concern.** This is especially evident in recent employment/unemployment trends. Over much of the 1984-1989 period, employment growth in Pennsylvania hovered in the 2-3 percent range (chart). Additionally, after trailing the U.S. for several years, growth in the Commonwealth was stronger than in the nation in 1988 and 1989. So far this year, employment in the State is down nearly 0.5 percent from a year ago while it is up 1 percent nationwide.

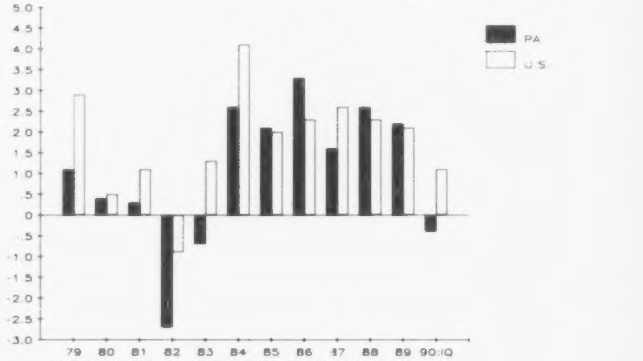
Similarly, the jobless rate declined in six consecutive years through 1989 (chart). Also, after coming in above the U.S. reading throughout the late 1970s and early 1980s, the jobless rate was lower than in the nation during the 1986-1989 period. During this year's first three months, the jobless rate in Pennsylvania averaged 5.4 percent, seasonally adjusted. This represents a gain of 0.9 percentage point from the 1989 average and is also above the 5.2 percent U.S. reading.

During this year's first quarter, unemployment rates exceed year-ago measures in each of the Commonwealth's 67 counties (table). Thirty counties maintain employment levels below 1989:IQ readings. Ten counties have double-digit jobless rates. Combined, these counties account for just 3.4 percent of Pennsylvania employment. Likewise, ten counties also have unemployment rates which are 5 percent or lower. (Many will argue that this represents the mythical "full employment," although we have cautioned against this in previous issues of the *Survey*.) These counties account for a healthy 41.5 percent of Statewide employment. Clearly, while the economic slowdown is evident in these data, it is best not to generalize. Employment trends in several areas of Pennsylvania remain encouraging. (Beginning with this issue of the *Pennsylvania Business Survey*, county-level employment and unemployment data will be reported and analyzed once each quarter to coincide with the "Around the State" section.)

The recent slowdown in economic growth is especially evident in job and production trends in Pennsylvania's factories. At 1,031,900 in the first quarter, manufacturing job levels are off 19,000 from a year ago, the largest year-over-year drop since 1987's first quarter. In March, factory jobs come in 2,400 below the February total. Historically, these industries tend to add about 3,500 jobs during the month. This explains the seasonally adjusted job loss of nearly 6,000. After turning in a post-recession peak during early 1989, the Pennsylvania Manufacturing Activity Index has trended slightly down despite a minimal gain in March.

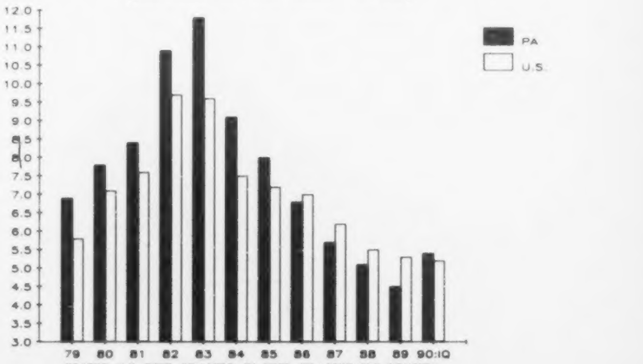
Construction activity remains sluggish. Contract valuations in March are down considerably from a year ago. While the number of permits authorized for nonresidential projects is essentially unchanged on a year-to-date basis compared to the first quarter of 1989, 7.7 percent fewer new housing units have been permitted. On the plus side, however, this drop is just about one-half the rate of decline recorded during 1989, suggesting that the worst may be behind us.

PA AND U.S. EMPLOYMENT GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF LABOR, PA DEPT. OF LABOR AND INDUSTRY, PSU

PA AND U.S. UNEMPLOYMENT RATES
(percent of the labor force)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY.

New Pennsylvania building permit authorizations (percent change from year ago)

	Mar.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,672	– 4.2	8,643	–7.7
Nonresidential	1,824	14.4	3,290	–0.2

Source: U.S. Dept. of Commerce, Bureau of the Census.

Typically, construction jobs begin to trend upward in March with the approach of the building season. This year, however, the uptick was not as pronounced as in years past. Nonetheless, job levels remain 5,000 higher than a year ago.

Building-related trends are mixed across counties. **Activity in the Pittsburgh region is up from a year ago while the downtrend in the Philadelphia region does not appear quite as pronounced as in prior months. Newly permitted activity in the Allentown-Bethlehem region continues to fall at a relatively strong rate on the residential side.**

Retail sales in Pennsylvania continue to grow, but at a less-than-robust pace. Through February, sales are up 4 percent compared to a year ago. While this represents some improvement over last year's average gain of 3 percent, it still falls short of the uptick in prices, suggesting a decline in the real volume of retail sales. The news in the automotive sector is a bit more encouraging so far this year compared to 1989. Although the 0.5 percent gain in auto-related sales leaves considerable room for improvement, it does represent a turnaround from 1989's 5.3 percent decline. Sales growth in the Philadelphia region remains quite strong relative to the Pittsburgh area.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	Feb.	*Mar.*	*Mar.*	*Feb.*	*Mar.*	*Mar.*	*Feb.*	*Mar.*	*Mar.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,082*	5,109	5,074	5,156*	5,148	5,116	112.9*	112.8	112.1
Service Producing									
No. of wage and salary jobs (thous.)	3,811	3,834	3,782	3,847	3,848	3,798	128.6	128.6	127.0
Transportation and public utilities	252*	253	254	255	254	255	97.3*	101.0	97.6
Wholesale trade	281	282	279	283	284	281	127.6*	127.9	126.5
Retail trade	879	885	883	903	900	899	125.9	125.5	125.3
Finance, insurance & real estate	295*	296	294	299	298	296	137.3*	137.1	136.2
Service & miscellaneous	1,387*	1,399	1,364	1,402*	1,406	1,372	162.6*	163.0	159.0
Federal government	142*	142	142	143	142	143	111.5*	110.8	111.3
State & local government	574*	577	564	566*	566	552	97.2*	97.1	94.8
Goods Producing									
No. of wage and salary jobs (thous.)	1,270*	1,273	1,291	1,309*	1,300	1,318	83.2	82.6	83.8
Construction	212	217	212	241	239	234	131.0*	129.7	127.0
Mining	27	27	27	28	28	28	57.9*	57.7	57.7
Manufacturing	1,031*	1,029	1,052	1,040*	1,034	1,057	77.5*	77.1	78.8
Durable goods	584*	583	604	591*	587	607	72.9*	72.5	75.0
Nondurable goods	447	446	448	450	448	450	84.5	84.1	84.5
Ave. wkly. hrs. worked by prod. workers	40.4*	40.6	40.8	40.6*	40.8	41.0	102.8*	103.2	103.7
Total wkly. person-hours worked (mils.)	28.8	28.8	29.7	29.1	29.0	29.9	75.8*	75.6	78.0
Total wkly. payroll (mil. dols.)	313.6*	315.3	315.0	316.9*	318.1	317.9	141.1	141.6	141.5
Average hourly earnings (dollars)	10.90	10.96	10.62	10.89	10.99	10.65	186.1*	187.9	182.0
Average weekly earnings (dollars)	440.36	444.98	433.30	442.57	447.22	435.30	191.3*	193.3	188.2
Steel production (thous. tons)	921	954	1,239	n.a.	n.a.	n.a.	45.2	40.4	52.2
Industrial electric power sales (mil. kwh)	3,651	3,797	3,890	3,706	3,779	3,867	100.4	102.3	104.7
Mining									
Anthracite coal (thous. net tons)	286	334	279	361	380	303	73.9	77.7	62.1
Bituminous coal (thous. net tons)	5,504	6,426	6,613	5,761	5,935	5,879	81.7	84.1	83.4
Construction contracts awarded (mil. dols.)									
Total	457.1	796.6	994.4*	669.6	675.0	819.0*	208.1	209.8	254.6*
Residential building	188.9	337.9	403.9*	312.0	297.5	350.0*	221.7	211.4	248.7*
Nonresidential building	182.7	299.8	360.3*	263.4	258.3	294.1*	242.8	238.1	271.1*
Nonbuilding (utilities and public works)	85.5	158.8	232.5*	94.2	119.2	174.9*	130.0	164.5	241.3*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,510	5,599	5,617	5,613	5,695	5,714	116.8	118.5	118.9
Unemployed									
No. of persons (thous.)	373	316	246	335	307	235	83.5	76.6	58.7
Rate (percentage of labor force)	6.3	5.3	4.2						
Rate, seasonally adjusted				5.7	5.2	4.0			
Civilian labor force, no. of persons (thous.)	5,883	5,915	5,862	5,947	6,002	5,950	114.2	115.3	114.3
Initial claims for unemployment benefits	90,546	88,117	79,091	96,380	103,381	89,339	67.3	72.2	62.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month Ago*	*Year Ago*
	Feb.	*Mar.*	*Mar.*		
U.S. city average	128.0	128.7	122.3	0.5	5.2
Philadelphia	132.2	133.6	126.0	1.1	6.0
Pittsburgh	123.4	n.a.	117.9§	n.a.	4.7

[1] Total includes workers on strike. * = figure revised § = figure for February 1989 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1990:IQ county employment
(pct. and pct. pt. changes are from year-ago quarter)

	Empl. (thous.)	Ann. pct. chg.	Umemp. Rate (pct.)	Ann. pct. pt. chg.*
Adams	38.0	−0.4	5.0	1.0
Allegheny	626.5	0.7	4.8	0.5
Armstrong	26.8	−0.1	9.4	1.2
Beaver	54.0	−1.3	9.2	1.1
Bedford	19.4	0.1	9.9	1.8
Berks	169.2	0.1	5.4	1.3
Blair	55.6	0.1	7.9	1.0
Bradford	29.2	0.6	6.6	1.9
Bucks	285.7	−1.6	4.5	1.3
Butler	70.6	1.9	6.2	0.9
Cambria	58.5	−0.3	8.5	1.9
Cameron	2.5	−3.8	10.0	3.9
Carbon	23.4	−1.0	9.3	3.2
Centre	63.1	1.6	5.7	1.0
Chester	192.9	−1.6	3.2	0.8
Clarion	16.0	−4.3	11.0	3.1
Clearfield	31.7	−1.2	11.6	2.6
Clinton	14.2	−0.9	10.7	2.7
Columbia	29.6	−0.1	8.6	2.0
Crawford	35.9	−0.8	8.5	2.0
Cumberland	106.4	0.6	3.6	0.8
Dauphin	129.7	0.6	4.8	1.0
Delaware	278.7	−1.6	3.9	0.7
Elk	16.0	−2.5	7.0	2.1
Erie	125.2	0.0	6.6	1.3
Fayette	54.1	0.7	10.0	1.2
Forest	1.7	−0.1	11.7	0.7
Franklin	56.5	2.5	4.9	1.2
Fulton	5.8	1.7	8.8	0.4
Greene	11.7	−2.9	10.3	1.3
Huntingdon	17.1	−0.7	12.0	2.1
Indiana	31.7	−0.7	10.2	0.5
Jefferson	18.5	−1.3	9.3	1.6
Juniata	9.3	1.8	13.0	3.6
Lackawanna	102.7	0.0	7.2	2.0
Lancaster	213.0	−0.1	4.3	1.1
Lawrence	45.4	0.8	6.7	1.0
Lebanon	61.6	0.6	5.3	0.9
Lehigh	140.7	−1.0	5.6	1.5
Luzerne	149.3	0.0	7.8	1.7
Lycoming	56.7	1.0	7.9	1.5
McKean	19.4	2.6	8.3	1.8
Mercer	48.3	0.2	5.8	1.3
Mifflin	20.2	1.3	9.5	3.5
Monroe	46.4	0.0	7.0	2.6
Montgomery	373.0	−1.6	3.9	1.2
Montour	7.8	1.0	5.7	1.5
Northampton	110.3	−1.0	6.0	1.9
Northumberland	45.3	0.5	9.3	2.8
Perry	19.9	0.3	6.7	1.9
Philadelphia	685.3	−1.6	5.8	0.8
Pike	11.6	2.8	6.9	2.2
Potter	7.3	2.1	8.7	1.7
Schuylkill	68.2	0.0	8.3	2.0
Snyder	18.1	0.8	8.0	2.3
Somerset	29.7	−0.4	9.6	0.9
Sullivan	2.8	1.6	7.1	1.8
Susquehanna	17.1	1.1	9.1	2.4
Tioga	17.6	2.4	8.5	2.4
Union	16.2	0.2	5.4	1.1
Venango	23.1	−1.4	7.0	0.9
Warren	21.0	−0.1	6.3	1.8
Washington	87.6	0.7	6.4	0.5
Wayne	17.9	2.8	9.1	2.2
Westmoreland	164.5	0.7	7.1	0.6
Wyoming	12.5	−0.1	8.4	2.1
York	175.0	−0.5	5.2	1.2

Source: PA Dept. of Labor and Industry;
PSU, Ctr. for Reg. Bus. Analysis.
*Current rate minus year-ago rate.

New PA metropolitan county bldg. permit authorizations
(percent change from year ago; only those counties shown are asked to report all permitted activity)

	1990: IQ	Pct. chg.
Residential units		
Allentown-Beth. MSA	430	−15.9
Carbon	28	−44.0
Lehigh	192	−28.9
Northampton	210	9.9
Beaver County MSA	114	90.0
Philadelphia MSA	2,157	− 6.6
Bucks	530	−19.7
Chester	460	−26.8
Delaware	273	11.4
Montgomery	849	29.0
Philadelphia	45	−62.2
Pittsburgh MSA	914	15.5
Allegheny	522	5.0
Fayette	46	35.3
Washington	137	50.5
Westmoreland	209	23.7
Adams County	167	16.0
Nonres. buildings		
Allentown-Beth. MSA	315	− 1.6
Carbon	38	123.5
Lehigh	146	−18.4
Northampton	131	5.6
Beaver County MSA	41	24.2
Philadelphia MSA	808	− 2.3
Bucks	271	22.6
Chester	193	−11.9
Delaware	82	−21.9
Montgomery	228	−10.6
Philadelphia	34	25.9
Pittsburgh MSA	385	25.0
Allegheny	173	15.3
Fayette	39	−15.2
Washington	80	81.8
Westmoreland	93	36.8
Adams County	47	− 6.0

Source: U.S. Dept. of Commerce, Bureau of the Census.

While not necessarily positive, **trends in new vehicle registrations in Pennsylvania so far in 1990 suggest that the worst may be behind us.** The year-to-date decline through February is the smallest in over a year.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	February	Pct. chg.	Year-to-date	Pct. chg.
Total	5,967	4.2	11,984	4.0
Durables	2,124	3.7	4,198	3.8
Bldg. mat.	191	− 5.0	402	− 0.2
Auto dlrs.	1,156	− 5.4	2,386	0.5
Furniture	307	13.3	626	13.4
Other	470	32.4	784	9.8
Nondurables	3,843	4.5	7,786	4.1
Gen. mdse.	512	6.2	987	3.6
Food/grocery	1,296	3.2	2,634	3.1
Gas	363	7.4	747	7.8
Apparel	262	9.6	546	6.4
Eat/drink	717	9.8	1,424	4.9
Drugs	248	2.5	511	4.5
Other	445	− 4.5	937	2.1
Seas. adj. total: February		6,846		
January		6,913		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

Philadelphia and Pittsburgh retail sales
(millions of dollars; pct. chg. from year ago; data through Feb.)

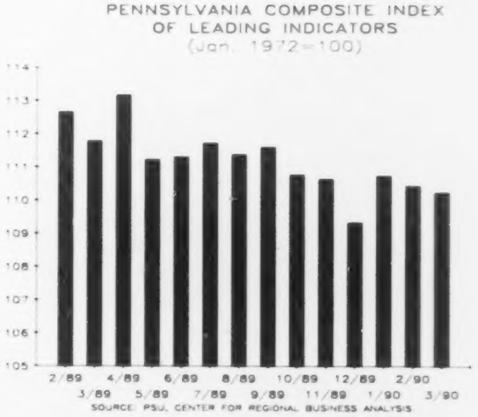
	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	5,298	9.0	1,981	-6.4
Durables	1,925	8.8	634	-12.4
Bldg. mat.	177	-5.9	65	-1.5
Auto dlrs.	1,058	10.0	302	-30.3
Furniture	284	9.2	73	-21.5
Other	406	12.8	194	47.0
Nondurables	3,373	9.1	1,347	-3.2
Gen. mdse.	403	2.3	207	0.5
Food/grocery	1,175	7.0	370	5.4
Gas	258	2.4	158	7.5
Apparel	291	11.5	109	2.8
Eat/drink	569	19.5	270	-12.9
Drugs	239	14.9	142	-3.4
Other	438	9.0	91	-27.2

Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
February	49,626	0.2
1990 YTD	100,379	-2.1
12-month total	663,279	-8.4

Source: R.L. Polk & Co.


PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan. 1972=100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

There is little likelihood that trends will change appreciably in the months ahead. Periodically, there are some signs of improvement in the U.S. economy, most notably, in the factory sector. However, a string of good news is needed to provide a convincing argument that recovery is imminent. Such a development is unlikely. Indeed, **the Pennsylvania index of leading economic indicators has yet to detect any signs of improvement in the near-term** (chart).

—William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

Overall employment and unemployment trends during this year's first quarter point to a continuation of the sluggish growth in the Allentown-Bethlehem metro area economy which first became evident in last year's second half. Employment in each of the three Pennsylvania counties in the region is off by 1 percent from year-ago readings. Similarly, the metro area's jobless rate, at 6 percent during the first three months of the year, is up 1.7 percentage points from the same period in 1989. On a seasonally adjusted basis, the unemployment rate has advanced in each of the past four quarters. Still, employment stands at its second highest level on record after normal seasonal ups and downs are discounted.

Construction activity continues to ease from its record-setting pace of a few years ago. New residential housing units authorized by permit plunged 16 percent in 1990:IQ from a year ago. The decline is concentrated in Carbon and Lehigh Counties. On the nonresidential side, 1.6 percent fewer projects have been authorized. Construction contract valuations are down by one-fourth on a year-to-date basis for the residential side but are up by two-thirds for nonresidential building activity.

Declines in the factory and construction industries pushed goods producing job totals down by 1,700 from a year ago. On a seasonally adjusted basis, jobs in this sector have declined in four consecutive quarters to their lowest reading on record. Within construction, job levels are down by 500 over the year. The region's manufacturers maintained 1,100 fewer jobs during the first three months of the year compared to 1989:IQ with much of the shortfall coming in the durable goods industries.

The job situation in the service producing industries continues to improve. Here, job levels stand at a seasonally adjusted record high. Of the 3,400 new jobs generated in these industries between the first quarters of 1989 and 1990, nearly two-thirds are accounted for by services. Retail trade jobs are up by 500 over the same period. While the sector as a whole continues to add jobs to payroll, should the first quarter's performance carry on through the balance of the year, it will be the weakest gain since 1983.

Statewide, the bulk of all new jobs created in recent years has come in three industries: retail trade; finance, insurance, and real estate; and services. Of the three Pennsylvania counties in the metro area, only Lehigh has a larger share of total nonfarm jobs accounted for by these industries than does the State. Should similar trends continue, with these three industries accounting for the bulk of all new jobs, Lehigh County may show relatively strong growth in the years ahead.

Scranton-Wilkes-Barre

The economy of the Scranton-Wilkes-Barre metropolitan area continues to move forward. However, as is the case in the Commonwealth as a whole, several bits of evidence suggest that growth has eased over the course of the past several months. This trend is expected to continue. Much of the slug-

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	311.9	115	114	116
Unemployed, no. of residents	19.8	90	84	62
Rate, seasonally adjusted	5.6			
Civilian labor force, no. of residents	331.6	114	112	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	280.5	110	110	110
Srv. Prod. only, no. of jobs	192.6	140	139	137
Goods Prod. only, no. of jobs	87.8	76	76	78
Hrs. worked by production workers in mfg., ave. weekly	39.7	105	104	105
Industrial electric power sales				
Metropolitan area	...	103	107	114
Allentown	...	96	93	98
Bethlehem	...	107	117	126
Easton	...	110	114	118
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	49.2	−26		
Nonresidential contracts only	45.5	+65		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

gishness will likely show up in the goods producing industries. Growth in the service producing sector, on the other hand, should help the economy skirt a recession.

For the nonfarm sector as a whole, job levels continue to advance. In fact, the number of nonagricultural positions has increased in 13 consecutive quarters after seasonal adjustment to stand at a record high. In this year's first quarter, job levels are up 1.7 percent from 1989:IQ. Over the 1982-1989 period, growth averaged 2.2 percent per year. So far this year, nonfarm job growth in the region is double that in the State as a whole. Over the 1982-1989 period, average annual job growth came in 0.6 percentage point lower in the Commonwealth than in the metro area. Clearly, the region is holding its own relative to the State.

The performances of the goods and service producing sectors in recent months differ considerably. Between the first quarters of 1989 and 1990, service producing establishments added 5,400 jobs to payroll. Leading the way is services and retail trade with 2,000 and 1,400 jobs, respectively. Since the economy bottomed out in 1982, nearly 50,000 new service producing jobs have been created in the five-county region.

In the goods producing sector, there are 600 fewer positions than during the first three months of 1990. Between 1982 and 1989, 1,800 jobs were lost in these industries. Over the same period, 4,400 jobs were lost in the manufacturing sector, alone. On the plus side, despite the downtrend in jobs, trends Statewide suggest that manufacturing output has increased considerably over the course of the economic recovery. Hence, relying solely on jobs as a measure of the factory sector's health may lead to overly-pessimistic conclusions. Construction jobs are up slightly on a year-to-date basis. The value of nonresidential building contracts is more than double year-ago readings while on the residential side, contract values are off by one-fifth.

As the economy has slowed, there has been some upward pressure on joblessness. In fact, county-level unemployment rates in the first quarter are up from first quarter 1989 readings anywhere from 1.7 percentage points in Luzerne County to 2.6 points in Monroe. Similarly, employment levels are down over the same period in two of the counties and unchanged in three. Despite the slowdown in growth, employment remains just below the all-time high, implying that the dropoff has not been especially severe. Furthermore, seasonally adjusted employment readings have increased in each of the past two quarters on the heels of two consecutive quarterly declines.

Williamsport

In the February issue of the *Survey*, a slowdown in the rate of economic growth in Lycoming County was noted. Based upon first quarter employment and unemployment trends, that slowdown appears to have carried over into 1990. The annual rate of employment growth in the first three months of this year is only about one-third the rate of growth averaged over the 1983-1989 period. After falling in five consecutive years, joblessness started to trend upward in 1989. In the first quarter, 1,100 more residents are counted as unemployed than a year ago.

After holding up quite well during much of the mid 1980s, goods producing job levels have trended down over the course of the past several quarters. Durable goods manufacturing accounts for the bulk of the more recent job losses as these industries cut 500 jobs from payroll between the first quarters of 1989 and 1990. The value of construction contract awards is down considerably in the first quarter. On the service producing side, job levels continue to advance. In fact, each quarter continues to bring another record job total as these industries remain a bright spot in the economy.

It is best to put the apparent slowdown in the rate of economic growth in Lycoming County in perspective. The

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	340.6	122	121	122
Unemployed, no. of residents	28.1	82	72	58
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	368.7	118	116	116
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	304.6	119	118	117
Srv. Prod. only, no. of jobs	221.0	137	136	134
Goods Prod. only, no. of jobs	83.3	88	87	88
Hrs. worked by production workers in mfg., ave. weekly	38.7	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	119	118	113
Lackawanna County[2]	...	133	132	122
Luzerne County[3]	...	108	106	103
Hazleton	...	96	97	92
Wilkes-Barre	...	118	115	109
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	57.5	− 20		
Nonresidential contracts only	48.7	+116		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

region stood out during much of the 1980s. It turned in one of the strongest performances outside of southeastern Pennsylvania. One can argue that the region's economy was operating at or near record levels of activity in the late 1980s. Surely, it was the strongest performance since before the recessions several years earlier. Hence, the strong performance prior to the current slowdown provides the region with a bit of a cushion. It is quite doubtful that the current pace of sluggish economic growth will do considerable harm to the economy as a whole. For instance, while employment growth has slowed considerably, this measure of the economy's health still remains at a record high.

Southwestern Quarter

Altoona

The number of nonfarm jobs in Blair County settled in at an all-time high during this year's first quarter after adjustment for the normal seasonal ups and downs, surpassing the previous record set in 1978. While this is certainly encouraging news, it should be noted that much of the rest of Pennsylvania exceeded pre-recessionary job readings long ago, especially in the eastern half of the Commonwealth. Not surprisingly, the service producing industries continue to provide practically all new jobs in the Altoona metro area. Between the first quarters of 1989 and 1990, jobs in these industries are up by 1,100. Furthermore, while other measures of the economy's health point to some slowing in the pace of overall economic growth, job gains in the service producing sector show few signs of easing appreciably.

The news is not nearly as positive in the goods producing industries where job levels are down by 100 from a year ago. On a more positive note, there is a slight seasonally adjusted gain in job levels between the final quarter of last year and the first three months of 1990. Trends over the past several years have not been especially encouraging. Between 1979 and 1989, the share of all nonfarm jobs accounted for by these industries has declined from approximately 30 percent to 25 percent. As a result, job levels remain just above record low readings.

Trends in resident employment and unemployment point to some easing in the economy's rate of growth. After declining in six straight years, some upward pressure on unemployment is apparent in recent months. At 7.9 percent in the first quarter, Blair County's jobless rate is up a full percentage point from a year ago. Also, employment growth in recent quarters has been the weakest since the onset of recovery in the early 1980s. Specifically, while employment growth averaged 2.5 percent each year over the 1983-1989 period, the first quarter of 1990 finds this measure of the economy's health barely up by 0.1 percent from a year ago. Still, employment remains at or near record high readings.

Johnstown

Statewide trends show that goods producing jobs remain on a downtrend. However, recent trends in the Cambria/Somerset County region suggest that, at worst, job levels in these all-important industries are holding steady or, at best, drifting slightly upward. Job totals appear to be rising slightly in the manufacturing and construction industries while mining jobs remain on a downtrend. However, in the primary and fabricated metals industry, the region's largest manufacturing employer, the number of positions declined a bit during the year ending with the first quarter of 1989. The value of residential building contracts awarded is down by more than one-fourth on a year-to-date basis. On the nonresidential side, contract values are nearly double year-ago readings.

Service producing jobs, however, have remained on an uptrend almost nonstop since the onset of recovery around 1983. Between the first quarters of 1989 and 1990, these jobs are up another 1.2 percent in settling in at another record high. On the downside, this rate of expansion is only about one-half the annual gain averaged over the 1983-1989 period. Three industries — services, retail trade, and finance — have provided a good portion of the State's (and region's) new jobs in recent years. Cambria County is one of the few counties in western Pennsylvania to have a relatively large share of employment in these industries. This may prove beneficial in the future.

Williamsport Area[1]

	Ave. mo. value *1 Q.'90*	Average monthly index seas. adj. (1977 = 100) *1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	56.7	124	121	122
Unemployed, no. of residents	4.9	92	86	70
Rate, seasonally adjusted	6.9			
Civilian labor force, no. of residents	61.6	121	118	118
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.7	115	113	113
Srv. Prod. only, no. of jobs	33.5	126	125	123
Goods Prod. only, no. of jobs	18.2	99	96	99
Hrs. worked by production workers in mfg., ave. weekly	39.9	103	104	103
Industrial electric power sales	***	119	115	94
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	3.7	−46		
Nonresidential contracts only	0.3	−95		

[1] Lycoming County

Altoona Area[1]

	Ave. mo. value *1 Q.'90*	Average monthly index seas. adj. (1977 = 100) *1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	55.6	109	107	109
Unemployed, no. of residents	4.8	111	110	92
Rate, seasonally adjusted	6.9			
Civilian labor force, no. of residents	60.4	109	107	108
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.8	104	102	102
Srv. Prod. only, no. of jobs	39.4	112	110	109
Goods Prod. only, no. of jobs	12.4	84	82	85
Hrs. worked by production workers in mfg., ave. weekly	39.0	103	105	106
Industrial electric power sales	***	78	76	76
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	3.4	+36		
Nonresidential contracts only	7.1	−40		

[1] Blair County

Employment and unemployment trends have been unimpressive so far this year. Specifically, the number of residents officially listed as employed is down in the first quarter from a year ago in both Cambria and Somerset Counties and the jobless rate is up by 1.9 and 0.9 percentage points, respectively. These general labor market trends are expected to continue for the next several months, bringing several years of improvement to a gradual end.

Despite mounting evidence of an economic slowdown, it is best not to ignore some significant improvement in the region during much of the latter half of the 1980s. At the same time, considerable room remains for further strengthening. Only the most optimistic observer will argue that the region is problem-free. Unfortunately, there is not any short-term solution to the region's problems, problems which are probably related, in one way or another, to the massive structural changes which the economy has gone through in recent years.

Pittsburgh-Beaver Valley

Economic activity in the five-county Pittsburgh-Beaver Valley metropolitan area continues to expand at a positive rate. However, the region's recent performance is perhaps best characterized as "unbalanced." Recent trends differ considerably across both counties and industries. While the positive news slightly outweighs the negative, it can be concluded that considerable slack remains in the metro area's economy.

Perhaps the best news is found in the construction sector. Each of the five counties in the region authorized (by permit) more new houses in this year's first quarter than a year ago. Only Allegheny County failed to turn in a double-digit gain. In the Pittsburgh portion of the region, permits are up 15.5 percent. In Beaver County, nearly twice as many new houses have been authorized by permit. The news is equally impressive on the nonresidential side. Trends in the value of building contracts awarded also point to some growth in activity.

Goods producing industries continue to contribute little to overall job growth in the region. At the same time, they do not appear to be subtracting away from overall growth, at least to the same degree as they were throughout much of the mid 1980s. In fact, in the four-county Pittsburgh region and in Beaver County, goods producing job levels are essentially unchanged from a year ago. Over that period, manufacturing jobs are down by 500 in Pittsburgh and by 200 in Beaver County. Construction jobs are up by approximately 100 in Beaver County and are unchanged in the Pittsburgh region. Sales of electricity to industry, a proxy for production trends, remain quite low.

Service producing job totals continue to grow and they stand at record highs throughout the region. However, relative to the State as a whole, growth has been sub-par in recent years. The retail industry has apparently started out poorly in 1990. While job levels continue to advance, the level of sales is down 6.4 percent on a year-to-date basis through February. Auto-related sales are off by nearly one-third from an already-weak first two months of 1989. Statewide, slightly more than one-half of all jobs are accounted for by the services, retail trade, and finance industries. These industries account for the bulk of all new jobs generated in recent years. Within the region, only Allegheny County maintains a higher percentage of jobs in these industries, 61 percent. Assuming these industries continue to generate most new jobs, Allegheny County may turn in a relatively strong performance in the years ahead.

Not surprisingly, employment and unemployment trends of late have not been especially impressive. During the first quarter, the unemployment rate averaged 5.8 percent in Pennsylvania. Within the broadly-defined metropolitan region, only Allegheny County, with a 4.8 percent rate, bettered that performance. Elsewhere, rates ranged from 6.4 percent in Washington County to 10 percent in Fayette County. On the employment front, employment continues to fall in Beaver County. While the number of residents officially counted as employed in the Pittsburgh metro area stands at a record high, growth is down considerably from recent years.

In that much of the goods producing sector is expected to remain in a mini-slump, it is doubtful that the economy as a whole will move ahead at a much faster pace over the short-run. Despite the apparent deciine in the "importance" of these industries in recent years, they still remain a vital part of the region's economy. However, despite the expected sluggishness in these industries, strength on the service producing side should allow the economy to move foward, albeit at a minimal clip.

State College

The slowdown in employment growth and the associated upward pressure on joblessness which was first noticed in last year's second half appears to have continued into the first three months of 1990 in Centre County. At 5.7 percent, first quarter's unemployment rate comes in a full percentage point higher than a year ago. This comes on the heels of six consecutive years in which the jobless rate declined in the region. Although it stands at a record high, employment in Centre County during the first quarter is up just 1.6 percent from a year ago. Over the 1982-1989 period, growth averaged more than 4 percent each year. Hence, it can be concluded that, while overall economic growth remains positive, it is not nearly as robust as in years past. Still, in relative terms,

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	88.2	93	92	94
Unemployed, no. of residents	8.6	70	72	54
Rate, seasonally adjusted	7.8			
Civilian labor force, no. of residents	96.8	91	90	90
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	80.2	93	92	92
Srv. Prod. only, no. of jobs	60.6	112	111	111
Goods Prod. only, no. of jobs	19.6	61	60	60
Hrs. worked by production workers in mfg., ave. weekly	38.0	98	98	102
Industrial electric power sales	***	150	148	174

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	5.2	−28
Nonresidential contracts only	15.8	+82

[1] Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	932.7	109	108	109
Beaver County	54.0	65	64	66
Unemployed, no. of residents				
Pittsburgh[1]	55.9	77	76	68
Beaver County	5.4	77	67	68
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.0			
Beaver County	8.4			
Civilian labor force, no. of residents				
Pittsburgh[1]	988.6	107	105	106
Beaver County	59.5	66	64	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	896.3	105	104	103
Beaver County	48.9	66	65	65
Srv. Prod. only, no. of jobs				
Pittsburgh[1]	732.8	124	123	121
Beaver County	37.7	112	112	110
Goods Prod. only, no. of jobs				
Pittsburgh[1]	163.5	63	62	63
Beaver County	11.2	28	28	28
Hrs. worked by production workers in mfg., ave. weekly				
Pittsburgh[1]	41.8	n.a.	n.a.	n.a.
Beaver County	43.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	64	62	64
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	104.3	+ 8		
Beaver County	6.0	+ 7		
Nonresidential contracts only				
Pittsburgh[1]	191.1	+135		
Beaver County	0.5	− 81		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	63.1	152	150	150
Unemployed, no. of residents	3.8	135	132	106
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	66.9	151	148	147
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	59.6	140	139	136
Srv. Prod. only, no. of jobs	48.4	140	140	136
Goods Prod. only, no. of jobs	11.2	138	137	134
Hrs. worked by production workers in mfg., ave. weekly	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	141	140	131
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.7	−51		
Nonresidential contracts only	1.7	−91		

[1] Centre County

the region continues to fare quite well compared to the rest of the State.

In absolute terms, most new jobs continue to be generated in the service producing sector. Of the 1,900 new nonfarm jobs created between the first quarters of 1989 and 1990, 1,500 are attributable to these industries. Jobs in these industries are up 3.2 percent over the period. Statewide, the advance is only 1.5 percent. All told, the 48,400 jobs in these establishments translate into a new record after seasonal adjustment.

At the same time, goods producing jobs continue to track upward, a trend which is especially impressive in light of the downtrend evident Statewide. During the year ending with the first quarter of 1990, job levels in these industries increased by 400 or 3.7 percent. All of the gain is accounted for by the construction industry with 500 additional jobs. Despite this impressive showing, the value of building contracts awarded is down considerably on both the residential and nonresidential sides.

Northwestern Quarter

Erie

Though there remains some room for improvement, this year's first quarter brings a continuation of relatively good news on the economic front in Erie County. While some slowing in the rate of growth is evident, there are few signs that the economic expansion is nearing an end. While not all sectors of the economy are operating on all cylinders, those that are will ensure that overall growth will remain positive.

After normal seasonal ups and downs are taken into account, nonfarm job totals, at 117,300 in the first quarter, settled at a record high. The 1.7 percent gain from first quarter 1989 is off a bit from the 2 percent gain averaged between 1983 and 1989. Trends in the service producing industries look especially impressive. All told, jobs are up by 1,300 from a year ago, a gain which is almost entirely accounted for by the services industries. Retail trade, which has generated considerable numbers of new jobs in recent years, is home to 20,000 jobs in the first quarter, unchanged from a year ago. This falls in line with trends Statewide which point to some softening in the retail industry.

While not quite as positive as in the service producing sector, trends on the goods producing side remain fairly encouraging. The 39,700 jobs in these industries during the first quarter represent the highest total for the period since 1982. Compared to a year ago, job levels are up by 800. Both the construction and manufacturing industries contributed to the job gain. Trends are relatively encouraging in the durable goods categories. Industrial power sales are holding fairly steady, suggesting the same for production. Also, the average hourly workweek is on a slight uptrend which may help prop up factory job levels in the months ahead.

A slowdown in the pace of overall economic growth is especially evident in recent trends concerning employment and unemployment. Employment in the first quarter is unchanged from a year ago. Coupled with a rise in the labor force of 1,800, this results in a jobless rate of 6.6 percent, up 1.3 percentage points from a year ago. Prior to the recent slowdown, these measures of the economy's health had been improving for several years running. Given the expectations for further moderation in the economy's growth, upward pressure on joblessness is likely to continue while employment, at best, will ease forward.

Sharon

General economic conditions in Mercer County in the first quarter of 1990 do not appear to be nearly as encouraging as in previous years. All things considered, however, the slowdown comes just as the economy appears to have reached a post-recessionary peak in terms of overall activity. It is doubtful that the current sluggishness will drag the economy down considerably. At an unadjusted 5.8 percent, the region's jobless rate is up 1.3 percentage points from a year ago. This is nearly identical to Statewide trends. Employment is barely (0.2 percent) up from a year ago and still trails prerecessionary readings. Over the 1983-1989 period, employment growth averaged 1.8 percent per year.

Service producing jobs continue to rise, but at a rather subdued rate. First quarter finds 400 additional jobs in these establishments compared to a year ago for a gain of 1.3 percent, down a bit from the advances recorded in previous years. First quarter's gain also comes up a bit short compared to trends throughout the Commonwealth. Service producing job growth appears fairly sluggish across the board. Between the first quarters of 1989 and 1990, service and finance-related jobs are unchanged and retail trade jobs are up by a minimal 100.

Mercer County's overall economic performance was quite strong in 1988 and 1989 because of an impressive showing on the part of the region's goods producing industries. Based upon first quarter trends, while these industries are holding their own, there is little evidence of upward momentum. Job levels have apparently peaked and are unchanged from a year ago. Electricity sales to industry have trended down during the last several quarters. Construction signs are mixed. The value of residential contracts awarded is down on a year-to-date basis, but up considerably for nonresidential projects.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'39*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	125.2	114	112	114
Unemployed, no. of residents	8.8	86	85	67
Rate, seasonally adjusted	5.9			
Civilian labor force, no. of residents	134.0	112	110	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	117.3	108	106	106
Srv. Prod. only, no. of jobs	77.6	122	122	120
Goods Prod. only, no. of jobs	39.7	88	85	86
Hrs. worked by production workers in mfg., ave. weekly	43.8	107	106	103
Industrial electric power sales	***	111	112	113
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.8	−50		
Nonresidential contracts only	11.5	+69		

[1] Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	48.3	102	101	102
Unemployed, no. of residents	3.0	64	63	47
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	51.3	99	98	98
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	42.9	96	96	96
Srv. Prod. only, no. of jobs	30.3	112	111	110
Goods Prod. only, no. of jobs	12.6	72	72	72
Hrs. worked by production workers in mfg., ave. weekly	42.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	107	105	121
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	2.9	− 37		
Nonresidential contracts only	7.3	+135		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Economic growth in the four-county Harrisburg-Lebanon-Carlisle metropolitan area remains positive based upon trends through this year's first quarter. At the same time, there is still evidence that the rate of expansion has eased considerably during the past several quarters. While the current sluggishness does not appear to be ushering in a recession, the economy is expected to remain soft through the next several months. The recent downtrend is certainly not indicative of any structural problems within the region's economy, but rather, it is the result of softness nationwide "filtering" into the metro area.

Between 1982 and 1989, nonfarm job growth averaged 2.7 percent each year. During the year ending with the first quarter, job growth eased to 2 percent. Still, this is strong enough to bring about another record job total after normal seasonal trends are taken into account. Statewide, establishment-related jobs are up just 0.9 percent in the first quarter from a year ago. Over the previous seven-year period, job growth averaged just 1.6 percent.

Few new jobs are being generated in the goods producing sector. In fact, at 64,400 in the first quarter, they are down by 300 from a year ago. However, construction is more than holding up its end. Building-related jobs are up by 900 between the first quarters of 1989 and 1990. On the other hand, the value of residential building contracts awarded so far this year is down more than one-third from a year ago whereas nonresidential values are up minimally. Manufacturing job totals are down by 1,200 on an annual basis with machinery and electronic equipment accounting for a good portion of the decline.

Not surprisingly, practically all of the region's new jobs are being generated in service producing industries. The 246,800 positions in these establishments translate into another record. Jobs are up 2.8 percent from a year ago. While still a healthy advance, this is down from the 3.2 percent gain averaged between 1982 and 1989. Between 1982 and 1989, the services, retail trade, and finance industries accounted for 72 percent of all new jobs in the region. From 1989:IQ to 1990:IQ, that share is even higher, at 81 percent. These industries are expected to continue to provide most new jobs in the metropolitan area.

At 4.6 percent, the region's jobless rate in the first quarter is up 0.9 percentage point from a year ago. Within the metro area, Perry County turned in the largest increase, 1.9 percentage points. Still, Lancaster County is the only other metro area in the State with a lower jobless rate. There is a definite slowing in the rate of employment growth. While the number of residents officially listed as employed is up 0.6 percent to stand at another record high in the first quarter, growth in 1989 came in at 3.6 percent.

Lancaster

Even Lancaster County, with perhaps the strongest economy in the State throughout the 1980s, is not immune to the slowdown in the pace of overall economic growth. For instance, the region's first quarter jobless rate, at 4.3 percent, is up more than a percentage point from a year ago. Employment is actually down a bit from the first three months of 1989. Still, the unemployment rate remains one of the lowest in the State and employment stands just below the record high. Clearly, the situation could be considerably worse some seven years into the current economic expansion.

The 116,800 service producing jobs in the County during the first quarter translate into a gain of 2,800 over the year. The services industries contributed 1,600 of those new jobs with retail trade kicking in 1,200. Seasonally adjusted job levels in the sector have now increased nonstop for 20 quarters in reaching another new high. The region's relatively strong performance is evident in recent historical trends. Between 1983 and 1989, service producing jobs rose by an average of 4.2 percent each year in Lancaster County. For Pennsylvania as a whole, the average growth rate was 2.8 percent.

The news is not nearly as positive on the goods producing side. Over the course of the year ending with the first quarter of 1990, 500 jobs have been lost in these establishments in the metro area. Whereas job totals in these industries have been on the downtrend for the past several years throughout much of Pennsylvania, only recently has the downtrend been evident in Lancaster County. Specifically, job levels rose each year over the 1984-1988 period and held steady in 1989. Much of the sluggishness appears to fall in the manufacturing industries. Recent trends suggest that industrial power sales, an indicator of production activity, have peaked. Also, the average factory workweek is down a bit from a year ago.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	317.6	128	126	128
Unemployed, no. of residents	15.4	92	96	70
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	333.0	126	124	124
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	311.1	128	127	125
Srv. Prod. only, no. of jobs	246.8	137	136	134
Goods Prod. only, no. of jobs	64.4	101	102	102
Hrs. worked by production workers in mfg., ave. weekly	40.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	75	78	89
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	54.5	−35		
Nonresidential contracts only	41.1	+ 8		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	213.0	138	137	139
Unemployed, no. of residents	9.5	110	102	80
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	222.5	137	135	136
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	186.9	134	134	133
Srv. Prod. only, no. of jobs	116.8	153	153	150
Goods Prod. only, no. of jobs	70.1	111	112	112
Hrs. worked by production workers in mfg., ave. weekly	40.4	102	102	103
Industrial electric power sales	***	144	141	142
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	40.1	− 31		
Nonresidential contracts only	38.9	+464		

[1] Lancaster County

Construction trends are somewhat encouraging. The value of nonresidential contracts skyrocketed during this year's first quarter compared to a year ago. On the residential side, contract values are down nearly one-third. Building-related jobs are up by 300 compared to a year ago.

Philadelphia

Construction trends are far from impressive in the Philadelphia metropolitan area. In the Pennsylvania portion of the region, new building permit authorizations are down 6.6 percent for residential projects and 2.3 percent on the nonresidential side. During 1989, the region realized declines in the double-digits. Other indicators of building activity also point to some weakness. Both job levels and the value of construction contracts awarded in the first quarter are down compared to a year ago.

For the goods producing sector as a whole, job levels stand at their lowest first quarter total since 1983. The 454,100 jobs in these establishments represent a decline of 12,800 from a year ago. Durable goods producers reduced payrolls by 5,200 jobs over the period to go along with a loss of 2,700 positions in nondurable goods establishments. Recent trends in electricity sales to industry and in the average factory workweek, while not especially worrisome, do not point to any growth in the factory sector.

In the service producing sector, retail sales are up a strong 9 percent, with growth evenly split between the durable and nondurable goods categories. Some strength is even apparent in the auto dealers component. All told, first quarter's 1,729,200 service producing jobs represent a gain of just 0.9 percent from a year ago, down from the 2.8 percent annual average gain from the 1983-1989 period. Despite the gain in sales, retail trade employment is actually down by 500 from last year's first three months. Service jobs are up by 14,600 while jobs in finance-related industries are down by 3,000 over the same period.

Employment and unemployment trends point to some slack

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	2,310.2	124	123	126
Unemployed, no. of residents	113.7	61	58	50
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	2,423.9	118	117	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,183.4	121	120	121
Srv. Prod. only, no. of jobs	1,729.2	132	131	131
Goods Prod. only, no. of jobs	454.1	91	91	93
Hrs. worked by production workers in mfg., ave. weekly	40.3	102	101	102
Industrial electric power sales	***	111	110	113
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	268.6	−37		
Nonresidential contracts only	298.2	−40		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

in the region's economy. The number of residents officially listed as employed is down by 36,400 from a year ago. Each of the five Pennsylvania counties in the region maintain lower employment levels than a year ago. As a result, unemployment is up by 21,400 residents, pushing up the jobless rate from 3.8 to 4.7 percent. On a brighter note, the seasonally adjusted level of employment is up from last year's fourth quarter, the second consecutive quarterly advance.

All things considered, the region's economy has slowed considerably from its impressive showing in the mid 1980s. After an extended period in which this portion of southeastern Pennsylvania was one of the strongest in the State (and arguably, the nation), the metro area is now turning in a below-average performance. But, at least in the suburban counties of the region, this slowdown comes after economic activity rose to a record high, providing these counties with a bit of a cushion.

The short-term outlook is for more of the same. Nothing on the horizon points to any reversal in the region's fortunes. Hence, it is quite likely that employment will continue to inch down, resulting in continued upward pressure on joblessness. Over the longer-term, however, things are perhaps a bit brighter. Employment in much of the region is relatively heavily concentrated in those service producing industries which provided the bulk of all new jobs throughout the State during the 1980s. Assuming that these industries continue generating most new jobs in the 1990s, the region may, once again, turn in a strong performance.

Reading

The slowdown in the rate of economic growth in Berks County, first noticed in last year's second half, has continued into the first three months of 1990. The result is an economy that appears to be holding steady, albeit at a historically high rate of overall activity. These general findings are evident in recent employment and unemployment trends. Between the first quarters of 1989 and 1990, employment in the region is up by a minimal 100 residents. Coupled with a rise in the labor force of 2,600, this pushed up the number of unemployed by 2,500. Despite the fact that the seasonally adjusted jobless rate is at its highest level in three years, employment remains at or near record high readings.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	169.2	126	125	126
Unemployed, no. of residents	9.7	101	94	73
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	173.9	125	123	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	154.7	119	119	117
Srv. Prod. only, no. of jobs	100.7	134	132	128
Goods Prod. only, no. of jobs	54.0	99	100	101
Hrs. worked by production workers in mfg., ave. weekly	41.1	106	104	104
Industrial electric power sales	***	146	140	146
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	22.6	−34		
Nonresidential contracts only	12.8	−41		

[1] Berks County

Trends in nonfarm jobs, which many analysts feel are a more reliable indicator than the resident data, are a bit more encouraging. The 154,700 establishment-related jobs in the first quarter translate into a record high after seasonal adjustment and represent a gain of 1.8 percent from a year ago. This is down a bit from the 2 percent average annual gain over the 1982-1989 period. The gains recorded so far this year have been considerably stronger than in the Commonwealth. Trends over both the short- and long-run have been quite impressive in Berks County relative to the State.

All of the jobs generated over the course of the past year are accounted for by the service producing sector with 3,900 new jobs over the 1989:IQ-1990:IQ period. The service industries contributed 1,400 new jobs. Retail trade jobs are up by 1,000 or 3.9 percent. This represents some improvement over trends in previous years. Statewide, these jobs are up just 0.4 percent as job growth has slowed considerably in

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'90	*1 Q.'90*	*4 Q.'89*	*1 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	213.0	140	138	140
Unemployed, no. of residents	11.5	109	98	83
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	224.5	138	135	137
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.0	128	127	127
Srv. Prod. only, no. of jobs	110.1	146	144	141
Goods Prod. only, no. of jobs	69.9	107	108	111
Hrs. worked by production workers in mfg., ave. weekly	41.5	101	102	102
Industrial electric power sales	***	104	106	126
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	54.1	0		
Nonresidential contracts only	6.9	−10		

[1] Adams and York Counties

this industry. The finance, insurance, and real estate industry has contributed 500 jobs over the course of the year.

On the goods producing side, weakness in manufacturing has offset continued strength in construction, pushing overall job levels down slightly. While the value of construction contracts awarded are down in the first quarter from a year ago, building-related jobs are up by 400. However, the region's factories cut 1,500 jobs from payrolls over the same period. The region's largest manufacturing industry, in terms of jobs, electronic equipment, accounts for nearly one-half of the decline. Despite the shrinking job base, electricity sales to industry, a proxy for manufacturing output trends, suggest that production is holding its own. Positive trends are also evident as they relate to the average factory workweek which stands near the historical high. This may limit downward pressure on jobs in the future.

York

In the February issue of the *Pennsylvania Business Survey*, some weakening in the goods producing sector was forecast. Trends through 1990's first quarter suggest that this has, indeed, been the case in the York metro area. A post-recession peak in job levels occurred at the beginning of 1989. Since then, jobs have declined almost continuously. At 69,900 in this year's first quarter, goods producing jobs are down 2,300 from a year ago. Practically all of this decline can be traced to durable goods manufacturers. Industrial machinery, the largest employer, has reduced job levels by 200. There is a much smaller decline of 200 on the nondurables side. Furthermore, both the average factory workweek and industrial power sales have receded a bit from a year ago.

The construction industry is home to 500 more jobs in 1990:IQ compared to a year ago. This is despite a sluggish showing with respect to the value of contracts awarded. On the other hand, permit data for Adams County show that 16 percent more new houses have been authorized compared to the first three months of 1989. On the nonresidential side, authorized projects are down 6 percent.

Strength in the service producing industries has more than offset goods producing's problems. Job totals continue to set a new record on practically a monthly basis. The 110,100 positions in these establishments represent a gain of 3,800 from a year ago. First quarter represents the 30*th* consecutive period in which job levels have increased. Over this period, stretching back to the final quarter of 1982, jobs have increased 31 percent. Over the same period, service producing jobs Statewide have increased just 20 percent. At the same time, the share of jobs accounted for by these industries has increased from 57.8 percent to 61 percent as they have accounted for the bulk of all new jobs created in the region.

Trends on the employment/unemployment front have cooled off in recent quarters. First quarter finds employment down 0.4 percent in Adams County and 0.5 percent in York County from a year ago. As a result, jobless rates are up 1 and 1.2 percentage points, respectively. On the bright side, this slowdown comes after several years of uninterrupted improvement. Hence, employment hovers only slightly below a record high. Clearly, several years of good news leaves the region on farily solid ground heading into the 1990s, despite some more recent signs of a slowdown.

—William D. Anderson

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WEAKNESS ON THE GOODS PRODUCING SIDE HOLDS BACK GROWTH

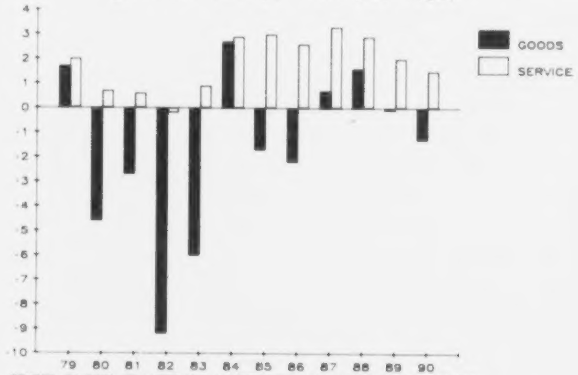
Trends through April suggest that a sluggish showing on the part of Pennsylvania's goods producers continues to hold down the overall rate of economic growth. Several measures of goods producing activity, including job trends, production activity, and building trends, point to some slack in these all-important industries. A major concern is that this weakness will spread into the service producing sectors. Indeed, April job trends point to some weakening in the fortunes of Pennsylvania's service producing industries.

Softness on the goods producing side in April accounts for much of the downtrend in the indices of coincidental and leading economic indicators. A pronounced drop in the real weekly earnings of manufacturing production workers helped push down the coincidental series. **One of the largest declines in the seasonally adjusted average factory workweek on record (dating back to 1972), leaving this measure of the factory sector's health at its lowest reading in nearly five years, contributed greatly to a large decline in the index of leading indicators in April. The index has now declined for three consecutive months and in six of the last seven (chart). Still, the general downtrend evident of late is not as pronounced as those prior to the onset of previous recessions. Hence, a severe slump does not appear to be likely in the foreseeable future.**

Simply put, the economic recovery in place since roughly 1983 is not reflected in job trends as they relate to Pennsylvania's goods producers. Over the 1983-1989 period, job levels in these industries declined in four years, including 1989 (chart). That sluggish performance has continued into the first four months of 1990 as jobs are off 1.3 percent from a year ago. Measures of the manufacturing sector's health have deteriorated considerably. April brings with it the third consecutive monthly drop in the number of factory jobs, seasonally adjusted. Production activity, as measured by the Pennsylvania Manufacturing Activity Index, remains on a downtrend. As mentioned above, both real earnings and hours worked also point down.

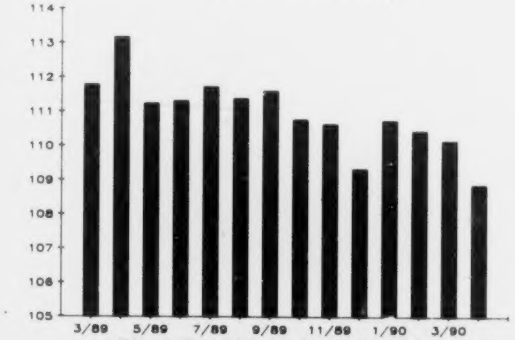
Elsewhere, **construction remains in the doldrums.** While the value of contract awards are up from March readings, totals are off considerably from a year ago. The number of new housing units authorized in April are down nearly 30 percent from a year ago, bringing the year-to-date decline to 16 percent. Declines are also evident on the nonresidential side. March and April typically bring the first signs of

PA GOODS AND SERVICE PRODUCING JOB GROWTH
(percent change from year ago)



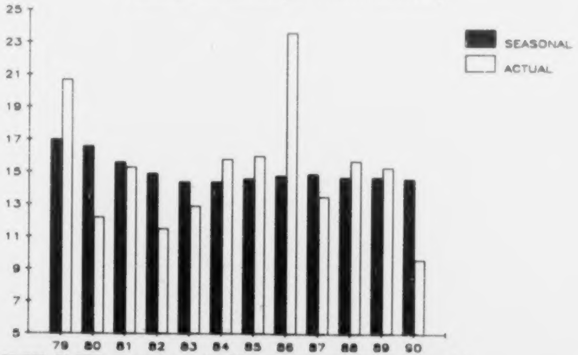
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan. 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PA APRIL CONSTRUCTION JOBS:
EXPECTED SEASONAL AND ACTUAL TRENDS
(absolute change from March)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

improvement in building activity, with the result usually being some rather pronounced job gains. Based upon historical trends, about 15,000 additional construction jobs are expected in April simply due to seasonal improvement (chart). Over the 1984-1989 period, April job gains were larger than expected in five of the six years, evidence of strength in these industries throughout much of the period. This April, however, job trends do not measure up to expectations as only 9,000 new positions are added to payrolls. The end result is a seasonally adjusted decline in job totals.

It is doubtful that April trends are a sign of things to come. **While future months are not likely to result in significant improvement in Pennsylvania's goods producing industries, deterioration on the order of that recorded in April is not expected to continue.** It may well be that the timing of the Easter holiday accounts for some of the apparently sharp dropoff in activity.

New Pennsylvania building permit authorizations (percent change from year ago)

	Apr.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,668	−28.9	12,399	−15.9
Nonresidential	2,200	−16.6	5,493	−7.6

Source: U.S. Dept. of Commerce, Bureau of the Census.

While still positive, service producing job growth continues to ease. After registering 3.3 percent in 1987, growth declined in both 1988 and 1989. The 1.5 percent year-to-date gain through April of this year is the smallest since 1983. In April, job levels are down on a seasonally adjusted basis from March. Still, they remain just below record high

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	March	*April*	*April*	*March*	*April*	*April*	*March*	*April*	*April*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,108*	5,137	5,113	5,148	5,137	5,112	112.8	112.5	112.0
Service Producing									
No. of wage and salary jobs (thous.)	3,834	3,854	3,806	3,848	3,845	3,797	128.6	128.5	126.9
Transportation and public utilities	253	253	257	254	252	256	97.0*	96.4	97.8
Wholesale trade	282	282	279	283	282	280	127.8*	127.1	126.1
Retail trade	884*	890	888	900	897	896	125.5	125.1	124.9
Finance, insurance & real estate	296	296	295	298	297	296	137.2*	136.5	135.9
Service & miscellaneous	1,399	1,409	1,378	1,406	1,405	1,373	163.0	162.9	159.2
Federal government	143*	147	143	144	146	142	112.2*	113.7	110.9
State & local government	577	578	564	566	566	551	97.1	97.1	94.6
Goods Producing									
No. of wage and salary jobs (thous.)	1,273	1,282	1,306	1,300	1,291	1,315	82.6	82.1	83.6
Construction	217	226	227	238	233	234	129.6*	126.9	127.3
Mining	27	27	27	28	28	28	57.7	57.3	57.3
Manufacturing	1,029	1,028	1,051	1,034	1,031	1,054	77.1	76.8	78.6
Durable goods	583	584	604	587	585	604	72.5	72.2	74.6
Nondurable goods	446	444	448	447	446	450	84.1	83.9	84.6
Ave. wkly. hrs. worked by prod. workers	40.5*	39.4	40.9	40.7*	39.6	41.1	103.0	100.2	104.0
Total wkly. person-hours worked (mils.)	28.8	28.0	29.8	29.0	28.2	30.0	75.6	73.4	78.2
Total wkly. payroll (mil. dols.)	314.7*	306.0	315.0	317.5*	308.2	317.4	141.3	137.2	141.3
Average hourly earnings (dollars)	10.94	10.93	10.58	10.97	10.92	10.57	187.6	186.7	180.7
Average weekly earnings (dollars)	443.07	430.64	432.72	445.30	433.24	435.51	192.5*	187.3	188.3
Steel production (thous. tons)	954	1,026	1,120	n.a.	n.a.	n.a.	40.4	40.7	44.3
Industrial electric power sales (mil. kwh)	3,797	3,713	3,750	3,779	3,763	3,816	102.3	101.9	103.3
Mining									
Anthracite coal (thous. net tons)	334	297	270	380	320	301	77.7	65.5	61.5
Bituminous coal (thous. net tons)	6,426	5,821	5,900	5,841	5,682	5,965	82.8	80.6	84.6
Construction contracts awarded (mil. dols.)									
Total	796.6	816.5	1,027.7*	675.0	796.9	1,034.0*	209.8	247.7	321.4*
Residential building	337.9	337.3	460.7*	297.5	298.7	411.1*	211.4	212.2	292.1*
Nonresidential building	299.8	280.5	409.2*	258.3	315.5	483.5*	238.1	290.8	445.7*
Nonbuilding (utilities and public works)	158.8	198.7	157.8*	119.2	182.7	139.4*	164.5	252.1	192.3*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,599	5,562	5,578	5,695	5,602	5,621	118.5	116.6	117.0
Unemployed									
No. of persons (thous.)	316	315	235	307	340	260	76.6	84.8	64.7
Rate (percentage of labor force)	5.3	5.4	4.0						
Rate, seasonally adjusted				5.2	5.7	4.4			
Civilian labor force, no. of persons (thous.)	5,915	5,878	5,813	6,002	5,942	5,881	115.3	114.1	112.9
Initial claims for unemployment benefits	88,117	88,941	69,290	103,381	92,942	77,486	72.2	64.9	54.1

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	March	*April*	*April*	*Ago*	*Ago*
U.S. city average	128.7	128.9	123.1	0.2	4.7
Philadelphia	133.6	134.3	126.7	0.5	6.0
Pittsburgh	n.a.	124.9	119.2	n.a.	4.8

[1] Total includes workers on strike. * = figure revised § = figure for March 1989 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	March	Pct. chg.	Year-to-date	Pct. chg.
Total	6,964	3.9	19,019	4.4
Durables	2,462	1.9	6,721	4.1
Bldg. mat.	251	−2.3	667	1.1
Auto dlrs.	1,483	−4.0	3,933	0.4
Furniture	331	18.6	952	14.6
Other	397	18.5	1,169	11.4
Nondurables	4,502	5.0	12,298	4.5
Gen. mdse.	703	5.4	1,696	4.7
Food/grocery	1,478	7.8	4,122	5.0
Gas	399	7.0	1,146	7.5
Apparel	344	5.8	885	5.6
Eat/drink	801	3.5	2,210	3.7
Drugs	254	−9.0	757	−1.4
Other	523	5.2	1,482	4.7

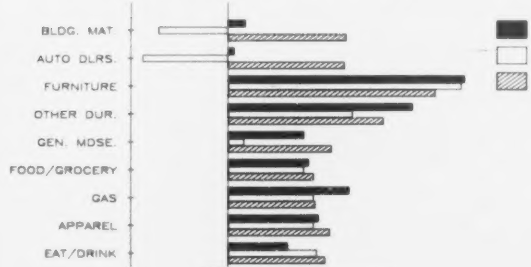
Seas. adj. total: March 7,056
February 6,917

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

readings. **Retail sales continue to increase, but at a rather disappointing pace. During this year's first quarter, sales are up 4.4 percent from a year ago. While this does represent some improvement over 1989's 3 percent gain, it falls well short of the 6 percent gain nationwide and the 5 percent gain in the overall level of consumer prices.** Compared to last year, sales growth is up across the board on the durable goods side (chart). The performances of the several nondurable goods categories tracked are somewhat mixed relative to 1989 trends. In the largest category, food and groceries, sales growth is up slightly so far in 1990. In seven of the 11 groups examined, growth so far in 1990 is off from the average of the past decade. Through March, the number of new motor vehicles registered in Pennsylvania continues to trend down.

Retail trade jobs stand just barely above year-ago readings, albeit at the highest reading for April on record. **Even growth in the historically strong service industries appears to be easing a bit. Between 1982 and 1989, job gains in these industries averaged 4 percent on an annual basis. So far this year, job growth comes in at a lower, but still respectable, 2.6 percent.**

RECENT PA RETAIL SALES TRENDS
(annual percent change)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
March	49,160	−4.0
1990 YTD	149,539	−2.7
12-month total	661,227	−7.3

Source: R.L. Polk & Co.

These general trends are reflected in a generally poor showing on the employment/unemployment front in April. Seasonally adjusted employment readings are off by 90,000 from March with the result being a jump in the jobless rate of 0.5 percentage point to 5.7 percent. Along with a similar reading in February, this represents the highest jobless rate in approximately three years. (Some improvement is apparent, however, in the employment and unemployment situation based upon May figures, the first indicator of the economy's health for the month.)

In a nutshell, the Pennsylvania economy appears to be moving sideways, as opposed to up or down. Given the lack of convincing evidence of any improvement in the nation's economy, conditions are unlikely to change in the near future.

Personal Income Report

Three trends are apparent from an examination of the most recent developments on the personal income front in Pennsylvania. Most importantly, the economic recovery which began in the early 1980s remains in place. Secondly, available evidence suggests that Pennsylvania continues to perform more on par with the U.S. after a decade of below-average growth. Finally, disparities across sectors and regions remain evident in Pennsylvania.

Personal income comes to $209.8 billion in Pennsylvania in 1989, up 7.8 percent from 1988 readings. This represents the strongest gain since 1981 and compares favorably with the 7.6 percent advance recorded nationwide. On a per capita basis, personal income comes to $17,422 in 1989, up 7.4 percent from a year ago. Nationally, per capita income totals $17,567 for a 6.5 percent gain. A good indicator of individual economic well-being is per capita personal income, adjusted for price changes. This measure of average "real" income has increased seven consecutive years in Pennsylvania (chart) with no signs yet of a considerable slowdown.

With respect to the Commonwealth's performance relative to the nation's, improvement over the past few years is evident. Over, roughly, the 1975-1986 period, Pennsylvania continuously trailed the growth rate in personal income nationwide, often by considerable margins (chart). Since then, however, the State has maintained personal income growth rates pretty much in line with national norms. Still, because of the Commonwealth's relatively poor showing in earlier years, ground has been lost. In 1989, Pennsylvania accounts for 4.8 percent of U.S. personal income. In 1975, the State accounted for 5.5 percent of the total. So, while economic improvement has been, and is, evident in Penn-

1989 personal income by major source: Pennsylvania and the United States (millions of dollars)

	Pennsylvania		U.S.
	1989	Pct. chg. from 1988	Pct. chg. from 1988
Earnings by place of work	146,065	6.6	6.4
By type			
Wage and salary disbursements	117,811	6.4	6.2
Other labor income	12,439	8.5	8.5
Proprietors' income	15,815	6.3	6.2
By industry			
Farm	1,060	15.1	5.5
Nonfarm	145,005	6.5	6.4
Private	126,458	6.4	6.2
Ag. serv., for., fish., and other	636	5.0	3.8
Mining	1,296	1.9	− 0.7
Construction	9,605	5.1	2.7
Manufacturing	33,569	3.0	3.9
Nondurable goods	13,025	4.3	4.6
Durable goods	20,545	2.2	3.6
Transportation and public utilities	9,610	5.7	5.4
Wholesale trade	9,318	8.4	7.6
Retail trade	13,788	6.8	5.7
Finance, insurance, and real estate	9,090	3.7	3.8
Services	39,546	10.3	10.2
Government	18,548	7.1	7.4
Federal, civilian	4,519	6.5	8.0
Federal, military	680	− 5.7	3.6
State and local	13,348	8.1	7.7
Total personal income	209,751	7.8	7.6
Nonfarm personal income	208,691	7.7	7.6
Net earnings[1]	135,674	6.3	6.2
Dividends, interest and rent	37,811	13.3	12.9
Transfer payments	36,266	7.8	8.1

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1989.

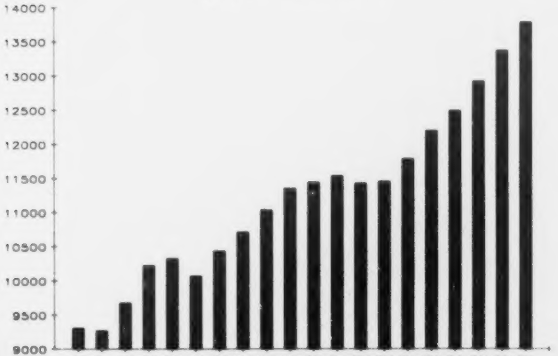
[1] Total earnings by place of work less personal contributions for social insurance plus an adjustment for residence.

sylvania, it can be argued that the State has lost a portion of its share of domestic economic activity.

In terms of sectoral performances, the services industries continue to lead the way as the earnings of workers employed in these establishments are up more than 10 percent from a year ago. Both the manufacturing and finance-related industries turned in relatively sluggish showings with respect to earnings growth in 1989.

Despite income- and employment-related trends which suggest that the goods producing sector's (and especially, manufacturing's) role in the Pennsylvania economy is diminish-

REAL PENNSYLVANIA PER CAPITA PERSONAL INCOME
(1982 dollars)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

1988 total and per capita personal income: Pennsylvania metropolitan areas and counties

	Total personal income (millions of dollars)		Per capita personal income (dollars)	
	1988	Pct. chg. from 1987	1988	Pct. of PA ave. 1988
MSAs				
A'town-Beth MSA*	11,637	7.7	17,185	106.0
Carbon	760	6.7	13,537	83.5
Lehigh	5,077	6.8	17,589	108.4
Northampton	4,008	8.3	16,450	101.4
Altoona MSA (Blair)	1,686	5.0	12,724	78.5
Beaver MSA (Beaver)	2,501	4.1	13,172	81.2
Erie MSA (Erie)	3,934	7.1	14,201	87.6
H'burg-Leb-Carl MSA	9,284	8.0	15,706	96.8
Cumberland	3,265	8.6	16,720	103.1
Dauphin	3,846	7.6	15,976	98.5
Lebanon	1,641	8.1	14,359	88.5
Perry	532	7.9	13,033	80.4
Johnstown MSA	3,078	6.4	12,280	75.7
Cambria	2,099	6.3	12,335	76.1
Somerset	979	6.5	12,166	75.0
Lanc MSA (Lancaster)	6,881	7.8	16,616	102.4
Philadelphia MSA*	91,046	8.1	18,504	114.1
Bucks	10,524	8.2	19,360	119.4
Chester	7,792	9.6	21,259	131.1
Delaware	11,364	7.4	20,407	125.8
Montgomery	16,743	8.1	24,351	150.1
Philadelphia	23,962	6.9	14,549	89.7
Pittsburgh MSA	34,521	6.8	16,484	101.6
Allegheny	24,127	7.1	17,816	109.8
Fayette	1,823	5.7	11,974	73.8
Washington	3,006	6.4	14,378	88.6
Westmoreland	5,565	6.2	14,695	90.6
Reading MSA (Berks)	5,857	7.3	17,798	109.7
Scr-Wilkes-Barre MSA	10,635	7.5	14,437	89.0
Columbia	804	6.5	13,181	81.3
Lackawanna	3,281	7.3	14,759	91.0
Luzerne	4,740	7.3	14,299	88.2
Monroe	1,423	9.9	15,221	93.8
Wyoming	387	7.2	13,634	84.1
Sharon MSA (Mercer)	1,608	7.4	13,140	81.0
St Coll MSA (Centre)	1,613	8.3	13,945	86.0
W'port MSA (Lycoming)	1,674	8.1	14,154	87.3
York MSA	7,031	8.6	17,132	105.6
Adams	1,139	8.4	15,326	94.5
York	5,892	8.6	17,532	108.1
Non-MSA counties				
Armstrong	1,070	5.3	13,729	84.6
Bedford	546	4.4	11,375	70.1
Bradford	816	7.2	12,645	78.0
Butler	2,235	7.5	14,570	89.8
Cameron	80	8.1	12,576	77.5
Clarion	516	5.3	12,353	76.2
Clearfield	1,015	5.7	12,422	76.6
Clinton	450	7.7	11,838	73.0
Crawford	1,091	6.3	12,692	78.3
Elk	526	6.5	14,317	88.3
Forest	56	7.7	11,723	72.3
Franklin	1,704	7.2	14,168	87.4
Fulton	171	8.9	11,903	73.4
Greene	444	3.0	11,185	69.0
Huntingdon	476	7.2	11,039	68.1
Indiana	1,113	6.0	12,091	74.5
Jefferson	614	5.7	12,868	79.3
Juniata	272	6.3	13,395	82.6
Lawrence	1,280	7.2	12,691	78.2
McKean	610	4.3	13,198	81.4
Mifflin	553	6.3	11,834	73.0
Montour	280	6.5	16,975	104.7
Northumberland	1,260	6.4	12,811	79.0
Pike	440	13.7	16,430	101.3
Potter	206	5.6	11,412	70.4
Schuylkill	2,160	7.8	14,020	86.4
Snyder	560	7.7	15,392	94.9
Sullivan	77	6.9	12,063	74.4
Susquehanna	496	6.2	12,147	74.9
Tioga	463	6.4	11,494	70.9
Union	478	8.4	13,692	84.4
Venango	865	4.6	14,171	87.4
Warren	650	7.1	14,248	87.8
Wayne	555	8.6	13,711	84.5
Pennsylvania	194,659	7.4	16,219	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1990.

* Includes New Jersey counties contained in the MSA.

ing, it is best not to discount the importance of these industries in the State's economy, especially in relative terms. In 1989, these industries account for nearly 31 percent of all earnings in the Commonwealth (chart). Two decades ago, they accounted for 45 percent. Still, Pennsylvania remains more dependent on these industries than does the U.S. as a whole. Construction, mining, and manufacturing earnings account for just 28 percent of all earnings nationwide. These industries continue as a vital force in the Pennsylvania economy and the State's business cycle is very much dependent on developments in the goods producing sector.

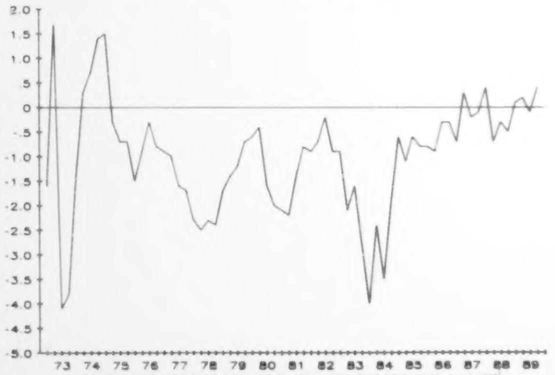
Personal income data through 1988 are available for each of Pennsylvania's 67 counties. Not surprisingly, the strongest gains come in the easternmost regions of the Commonwealth. Specifically, except for the Reading area, each metro region in the eastern half of the State is characterized by stronger personal income growth than in Pennsylvania as a whole. The York region's 8.6 percent gain is the strongest of the State's 15 metro areas. In the western half of the Commonwealth, only the State College metro area has an above-average growth rate over the 1987-1988 period. (Mercer County equaled Pennsylvania's 7.4 percent gain.) In fact, Centre County's 8.3 percent gain is the second strongest in metropolitan Pennsylvania, a finding consistent with previous positive reviews of the region's economy. Beaver and Blair Counties are home to the lowest income growth rates in metropolitan Pennsylvania, 4.1 and 5 percent, respectively.

This east/west split is also apparent when trends in nonmetro counties are taken into account. Furthermore, this split is not a recent development. Indeed, over the 1979-1988 period, all counties with above-average (above the State's 82.3 percent) personal income growth are found east of, and including, Centre County (chart). Especially strong growth is evident in the extreme northeast and southeast.

Generally similar conclusions are found as they relate to per capita income trends. The highest (relative to the State's $16,219) readings of per capita income are found in the southeast, with the lone notable exception being Allegheny County (chart). The Philadelphia metro region maintains a per capita reading which is 14 percent higher than the Statewide average and is home to the four highest county-level readings in the State.

As a group, those counties within Pennsylvania which are not included in a metro area come up short with respect to personal income trends and appear to be losing ground. These counties increased their share of personal income in the State throughout the 1970s, rising from 12 percent to over 13 percent of the total (chart). However, they have lost ground nonstop during the 1980s, so that as of 1988 they account for just 12.4 percent of the State's income.

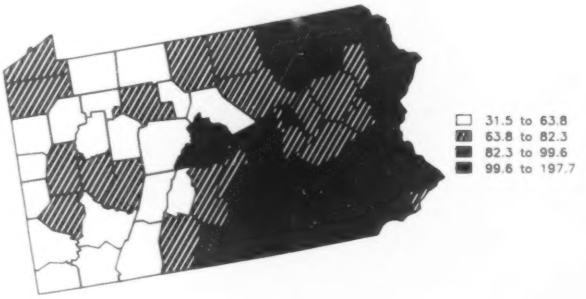
PA AND U.S. PERS. INCOME GROWTH DIFFERENTIALS
(pct. pts.; PA minus U.S.)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

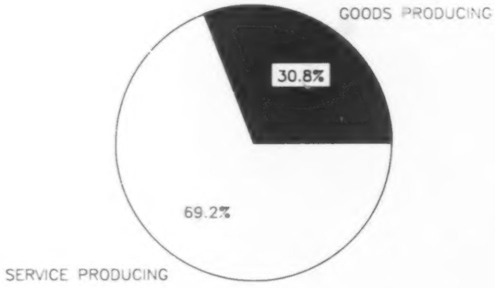
In sum, recent trends in Pennsylvania personal income should be interpreted rather favorably. They are perhaps the best indicator that the economic recovery remains on fairly solid ground. At the same time, some potential problems, many of which have been discussed in previous issues of the *Pennsylvania Business Survey*, are also evident in these trends. Most notably, differences are apparent across both sectors and geographic regions with respect to personal income trends.

1979-1988 COUNTY PERSONAL INCOME GROWTH
(percent)

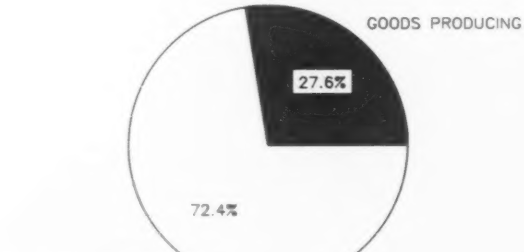


SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

SHARE OF PA AND U.S. EARNINGS:
GOODS AND SERVICE PRODUCING INDUSTRIES



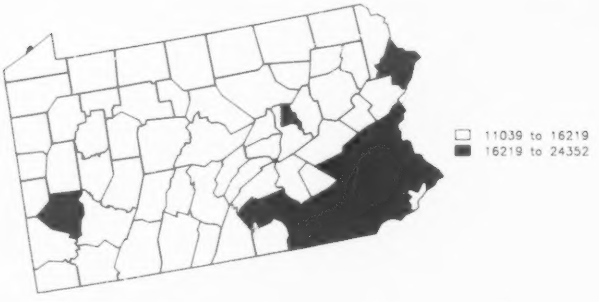
PA



U.S.

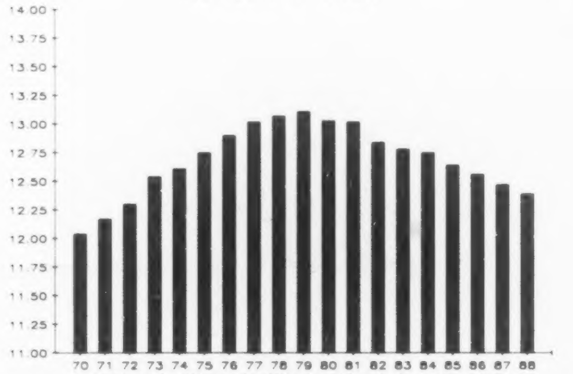
SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

1988 PA COUNTY PER CAPITA PERSONAL INCOME
(dollars)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS.

NONMETROPOLITAN PA'S SHARE OF PERSONAL INCOME
(percent of total)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

Given the forecast for continued economic growth, but at a pace which comes up short of recent norms, look for some slowing in the rate of personal income expansion in the coming year in Pennsylvania. Also, in that the slowdown is likely to be concentrated in goods producing activities, the service producing side will have to carry the load. While the disparities between east and west remain, they are not quite as pronounced as in years past. Nonetheless, the west is unlikely to make up for much of the ground lost in previous years anytime soon.

— *William D. Anderson*

Building Permits Report

Building activity in Pennsylvania continues to ease from its record-setting pace of the mid 1980s. While trends are not especially encouraging relative to previous years, they should not be interpreted too negatively. The current slowdown simply represents a cyclical downturn. Recent trends certainly do not point to recessionary conditions in the Commonwealth's building-related industries.

Statewide, the Bureau of the Census reports that 15.5 percent fewer new houses in Pennsylvania have been authorized by permit in 1989 compared to the previous year. All told, 45,483 new housing units have been permitted in 1989. This represents the second straight drop in permit activity following five consecutive years of gains and it is the steepest annual decline since 1981 (chart). A good portion of the decline is concentrated in the single-family sector where nearly 17 percent fewer new units have been authorized. The decline on the multi-family side is less than one-half that amount (chart). This is the first time since 1982 that trends on the multi-family side are a bit more encouraging than for single-family projects.

New authorized construction in permit issuing places in PA (res. authorizations in units; nonres. authorizations in bldgs.; value in thousands of dollars)

	Authorizations		Value	
	1989	Pct. chg. from 1988	1989	Pct. chg. from 1988
Residential	45,483	-15.5	3,424,442	-11.4
Single-family	37,653	-16.9	3,097,316	-12.4
2 units	582	-26.1	24,974	-23.7
3-4 units	910	- 3.3	46,847	13.5
5+ units	6,338	- 6.9	255,305	1.3
Nonresidential	22,382	- 3.2	2,131,748	- 8.8
Amusement	201	- 1.0	37,116	-30.2
Religious	125	-13.2	48,940	31.2
Industrial	869	- 2.4	396,655	16.4
Parking garages	37	-24.5	36,384	-50.8
Service stations	268	- 5.0	31,588	16.0
Hospitals	88	-30.2	101,198	-38.0
Offices	788	- 1.3	583,485	-30.9
Public works	178	- 4.8	212,433	464.0
Schools	106	5.0	62,731	25.1
Stores	1,452	-12.3	447,825	-17.9
Other buildings	11,588	1.1	118,561	7.9
Non-building	6,682	- 7.6	54,832	0.5

Source: U.S. Dept. of Commerce, Bur. of the Census.

A reversal is also noted relative to nationwide trends. During the early 1980s, Pennsylvania's construction sector was hit much harder than the U.S.' by the back-to-back recessions. However, over the 1984-1988 period, the State turned in a relatively strong performance on the construction front. In 1989, however, Pennsylvania's decline in residential building activity is nearly twice as large as in the nation.

On the single-family side, permit values average $82,260 Statewide, up 5.3 percent from a year ago. This is less than one-half the gain averaged over the 1984-1988 period. The total value of all residential permits, at $3.4 billion, is off 11.4 percent from 1988.

Within the State, new housing units authorized by permit in 1989 are down in ten of the Commonwealth's 15 metropolitan areas. The largest gains are found in Beaver and Lycoming Counties, each with gains near 50 percent. The largest declines are found in the east. In the Allentown-Bethlehem region, authorizations are down by nearly one-third from 1988 readings. The five Pennsylvania counties in the Philadelphia metro area combine for 25 percent fewer permits. Authorizations in the Pittsburgh region are off nearly 16 percent. All told, growth eased in 11 of the 15 regions relative to 1988 (chart). In the group of 34 counties not included in a metro area, 22 have permitted fewer new houses than in 1988. Again, further slowing is evident in the northeast. Pike (−10.8 percent) and Wayne (−21.5 percent) Counties each authorized fewer new permits in 1989. After Pike's 1,499, Butler County permitted the largest number of new houses, 902, in 1989 for a minimal gain of just 2.7 percent.

Trends on the nonresidential side are also far from impres-

New authorized residential construction in permit issuing places by metropolitan statistical area and county (authorizations in units; value in dollars)

	Total				Single-family			
	Authorizations		Value		Authorizations		Value	
	1989	Pct. chg. from 1988	1989	Pct. chg. from 1988	1989	Pct. chg. from 1988	1989	Pct. chg. from 1988
MSAs								
A'town-Beth MSA	2,428	-31.9	205,973,701	-30.7	2,020	-38.2	191,299,546	-32.6
Carbon	256	-21.0	19,907,707	-2.5	234	-16.1	19,477,707	5.3
Lehigh	1,141	-28.1	97,841,114	-30.1	955	-34.1	91,290,837	-31.4
Northampton	1,031	-37.6	88,224,880	-35.6	831	-46.1	80,531,002	-39.2
Altoona MSA (Blair)	343	3.0	19,651,926	-7.4	274	1.9	18,024,926	6.7
Beaver MSA (Beaver)	431	48.1	32,292,438	55.4	366	30.2	29,722,813	44.9
Erie MSA (Erie)	931	20.1	50,431,325	20.6	546	-14.4	34,692,325	-8.9
H'burg-Leb-Carl MSA	3,257	-10.3	222,497,543	-2.8	2,773	-6.1	202,835,882	-0.1
Cumberland	1,362	-7.5	94,259,497	-5.5	1,049	-12.3	81,724,717	-6.5
Dauphin	1,107	-22.7	83,731,970	-6.8	1,080	-12.8	83,272,675	-1.4
Lebanon	377	-21.5	21,488,380	-22.3	249	-21.7	15,983,794	-22.5
Perry	411	67.8	23,017,696	95.4	395	96.5	21,854,696	105.9
Johnstown MSA	466	-9.5	26,897,191	-9.4	412	-18.7	24,494,291	-16.7
Cambria	203	6.3	13,748,487	26.3	181	-1.1	12,595,587	18.5
Somerset	263	-18.8	13,148,704	-30.0	231	-28.7	11,898,704	-36.7
Lanc MSA (Lancaster)	3,126	-11.2	239,129,793	-7.0	2,385	-20.2	198,128,710	-15.6
Philadelphia MSA	11,432	-25.3	955,173,484	-22.3	9,093	-27.9	857,374,504	-22.8
Bucks	3,014	-29.7	230,151,943	-29.6	2,384	-36.8	208,997,026	-32.6
Chester	3,171	-16.0	321,425,330	-13.8	2,567	-28.3	295,672,329	-19.2
Delaware	1,101	-30.4	91,468,817	-27.4	794	-26.5	72,816,534	-24.8
Montgomery	3,546	-9.0	265,927,320	-12.4	2,944	-14.7	242,568,030	-15.0
Philadelphia	600	-66.0	46,200,077	-53.7	404	-44.8	37,320,585	-28.7
Pittsburgh MSA	4,666	-15.9	414,883,898	2.1	3,794	-1.2	383,401,475	7.6
Allegheny	2,859	-19.8	276,715,831	3.3	2,073	-2.7	247,680,300	9.6
Fayette	278	-25.3	13,878,399	-10.2	263	4.4	13,482,899	12.1
Washington	552	4.7	41,421,594	-0.1	513	8.9	40,761,594	2.6
Westmoreland	977	-9.9	82,868,074	1.6	945	-4.4	81,476,682	3.9
Reading MSA (Berks)	2,125	-2.7	153,150,268	4.8	1,832	-10.5	140,459,190	-0.8
Scr-Wilkes-Barre MSA	4,906	-11.2	350,530,130	-5.1	4,248	-12.0	322,164,838	-4.8
Columbia	114	-12.3	6,170,142	6.4	108	-1.8	6,032,642	12.7
Lackawanna	785	9.9	57,634,620	29.8	692	5.8	54,874,994	27.5
Luzerne	1,323	13.4	85,631,227	21.3	1,056	4.9	74,129,455	21.3
Monroe	2,614	-24.2	197,429,605	-19.2	2,336	-22.0	183,873,211	-18.3
Wyoming	70	7.7	3,664,536	-11.4	56	-5.1	3,254,536	-15.6
Sharon MSA (Mercer)	190	-2.6	11,709,999	9.4	162	-5.3	10,948,999	12.8
St Coll MSA (Centre)	824	17.2	59,370,912	2.8	496	-22.1	40,869,840	-22.9
W'port MSA (Lycoming)	532	47.0	26,025,304	29.3	267	-11.6	18,734,623	-0.6
York MSA	3,033	-20.8	218,377,121	-3.6	2,755	-4.5	206,009,337	2.7
Adams	705	-23.0	47,471,434	-12.3	645	-13.4	45,083,591	-6.4
York	2,328	-20.1	170,905,687	-0.9	2,110	-1.4	160,925,746	5.5
Non-MSA counties								
Armstrong	91	7.1	4,354,334	-2.5	62	-27.1	3,516,134	-21.3
Bedford	129	-5.1	6,001,787	4.1	129	7.5	6,001,787	15.8
Bradford	120	-10.4	7,120,844	18.8	108	-6.1	7,038,270	21.0
Butler	902	2.7	80,044,983	6.8	756	5.9	73,626,069	7.6
Cameron	9	-30.8	623,456	-26.7	9	-30.8	623,456	-26.7
Clarion	52	-16.1	2,627,267	-9.8	46	-25.8	2,537,267	-12.9
Clearfield	82	-13.7	5,324,262	2.1	74	-10.8	5,164,262	4.1
Clinton	80	-12.1	4,225,771	-13.8	57	-9.5	2,918,271	-11.0
Crawford	173	-1.7	7,474,009	6.2	161	-6.9	6,724,009	-2.7
Elk	87	-4.4	4,599,363	5.0	77	-3.8	4,385,363	5.4
Forest	14	27.3	471,621	-16.7	14	27.3	471,621	-16.7
Franklin	378	-37.3	25,240,987	-24.9	378	-37.3	25,240,987	-24.9
Fulton	39	0.0	2,305,656	36.1	39	0.0	2,305,656	36.1
Greene	8	-38.5	456,860	-33.5	8	-27.3	456,860	-30.8
Huntingdon	163	19.9	5,810,809	25.7	159	16.9	5,639,447	22.0
Indiana	79	-47.3	7,529,620	-18.4	65	-33.7	6,789,620	-4.7
Jefferson	91	31.9	4,523,500	30.0	91	31.9	4,523,500	30.0
Juniata	78	-9.3	3,198,525	3.0	66	-5.7	2,942,525	6.9
Lawrence	258	89.7	11,137,402	56.7	136	19.3	7,969,902	18.5
McKean	60	9.1	3,219,373	27.2	60	15.4	3,219,373	29.5
Mifflin	129	-28.7	6,394,898	-21.1	125	-30.2	6,239,898	-22.4
Montour	204	-16.0	7,986,768	5.6	204	-16.0	7,986,768	5.6
Northumberland	237	8.2	10,777,043	11.7	195	22.6	9,654,143	23.1
Pike	1,499	-10.8	120,124,100	-30.2	1,417	-14.0	116,484,100	-31.7
Potter	43	87.0	1,200,715	59.7	43	87.0	1,200,715	59.7
Schuylkill	271	7.1	16,974,132	28.0	269	9.8	16,904,132	28.7
Snyder	73	-34.8	4,650,861	-22.2	73	-29.8	4,650,861	-19.8
Sullivan	70	-11.4	3,406,581	3.7	70	-11.4	3,406,581	3.7
Susquehanna	175	-15.5	8,466,762	-10.8	168	-13.8	8,357,762	-9.8
Tioga	187	-20.1	7,936,915	-3.8	185	-20.9	7,886,915	-4.4
Union	145	-16.2	9,428,301	-16.5	139	-5.4	9,176,801	-1.3
Venango	49	-29.0	2,262,307	-32.9	49	-29.0	2,262,307	-32.9
Warren	97	38.6	3,858,260	15.7	79	12.9	3,300,500	-1.0
Wayne	750	-21.5	50,734,712	-16.3	748	-21.6	50,694,712	-16.2

Source: U.S. Dept. of Commerce, Bur. of the Census

New authorized nonresidential construction in permit issuing places by metropolitan statistical area and county (authorizations in no. of bldgs.; value in dollars)

	Authorizations		Value	
	1989	Pct. chg. from 1988	1989	Pct. chg. from 1988
MSAs				
A'town-Beth MSA	1,859	-14.4	112,488,167	-30.0
Carbon	112	-21.7	4,430,144	3.2
Lehigh	823	- 7.7	57,618,787	-39.2
Northampton	924	-18.7	50,439,236	-18.2
Altoona MSA (Blair)	173	- 2.8	16,875,411	2.8
Beaver MSA (Beaver)	309	-17.2	9,520,775	-28.5
Erie MSA (Erie)	536	- 7.4	22,549,354	-40.4
H'burg-Leb-Carl MSA	1,502	- 2.0	224,269,582	2.1
Cumberland	498	-13.2	44,642,309	-46.6
Dauphin	658	9.8	136,733,098	50.2
Lebanon	217	0.9	40,884,050	- 5.7
Perry	129	-11.0	2,010,125	27.3
Johnstown MSA	357	2.0	196,572,283	1099.0
Cambria	186	26.5	183,401,329	1727.3
Somerset	171	-15.8	13,170,954	107.2
Lanc MSA (Lancaster)	1,446	- 2.1	113,109,332	3.1
Philadelphia MSA	4,950	-11.3	635,611,762	-38.3
Bucks	1,558	-25.9	112,206,076	-15.3
Chester	1,199	- 0.7	127,196,639	0.9
Delaware	558	-15.1	119,504,959	110.8
Montgomery	1,474	4.2	190,769,197	- 5.2
Philadelphia	161	-18.7	85,934,891	-83.3
Pittsburgh MSA	2,333	0.0	253,328,912	21.9
Allegheny	1,168	1.1	168,539,014	12.9
Fayette	239	-14.3	10,312,022	35.9
Washington	410	- 3.5	22,187,227	4.3
Westmoreland	516	8.9	52,290,649	75.6
Reading MSA (Berks)	717	29.0	52,506,519	-39.6
Scr-Wilkes-Barre MSA	1,236	7.3	114,922,595	15.6
Columbia	110	4.8	4,524,132	176.3
Lackawanna	273	16.2	25,064,147	- 3.4
Luzerne	455	11.0	63,597,260	45.6
Monroe	367	- 3.2	20,842,270	-24.8
Wyoming	31	34.8	894,786	115.3
Sharon MSA (Mercer)	292	5.8	16,419,963	57.4
St Coll MSA (Centre)	272	-20.0	37,102,142	3.3
W'port MSA (Lycoming)	330	19.1	20,735,896	96.0
York MSA	1,776	3.7	91,923,060	- 0.4
Adams	275	9.1	13,101,803	13.6
York	1,501	2.7	78,821,257	- 2.4
Non-MSA counties				
Armstrong	100	5.3	2,751,711	24.6
Bedford	135	- 0.7	3,628,064	-8.0
Bradford	260	-18.2	7,413,844	30.6
Butler	356	- 0.3	38,848,398	-21.4
Cameron	19	171.4	711,998	11.0
Clarion	69	40.8	951,423	2.8
Clearfield	55	12.2	3,884,189	8.0
Clinton	70	9.4	2,129,021	-25.9
Crawford	408	-23.3	13,642,992	59.1
Elk	162	- 1.2	6,031,989	156.1
Forest	6	-53.8	76,000	55.5
Franklin	217	38.2	18,365,926	323.6
Fulton	64	-32.6	1,731,264	281.2
Greene	7	-53.3	30,415	-93.7
Huntingdon	91	4.6	5,667,638	97.1
Indiana	48	-34.2	4,989,970	34.6
Jefferson	111	- 0.9	5,291,945	73.5
Juniata	62	31.9	2,130,714	105.0
Lawrence	129	-13.4	11,896,834	105.5
McKean	106	11.6	4,140,846	-27.8
Mifflin	108	10.2	3,024,286	-62.6
Montour	13	-40.9	1,327,250	-89.7
Northumberland	164	27.1	20,485,682	185.3
Pike	237	49.1	7,725,396	18.7
Potter	70	9.4	550,891	-39.2
Schuylkill	148	- 5.1	10,886,623	- 4.6
Snyder	133	- 0.7	3,993,473	-17.1
Sullivan	40	-24.5	650,030	72.2
Susquehanna	102	- 5.6	1,771,774	-30.6
Tioga	255	14.9	4,208,565	- 4.8
Union	92	-22.0	4,626,980	-66.6
Venango	64	-25.6	7,134,279	236.6
Warren	169	11.9	3,550,014	66.9
Wayne	235	88.0	11,162,834	106.5

Source: U.S. Dept. of Commerce, Bur. of the Census.

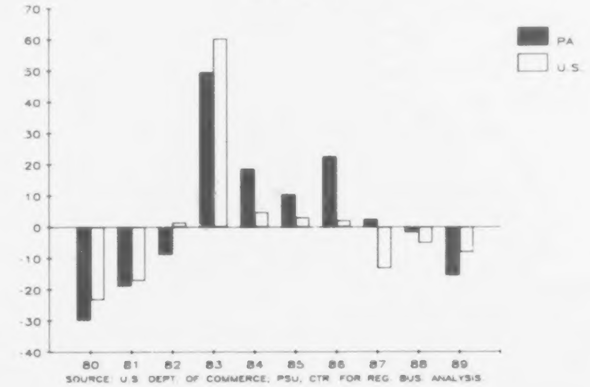
sive. Throughout the State, the number of new projects authorized by permit, 22,382, are off more than 3 percent for the year and are down 8.8 percent in terms of total valuation. The three largest building categories — stores, industrial buildings, and offices — are off 12.3, 2.4, and 11.3 percent, respectively.

In terms of geographic trends, permit authorizations are off in eight of the State's 15 metro areas. In the Philadelphia region, more than 11 percent fewer authorizations have been granted while the four-county Pittsburgh region finds authorization totals unchanged from a year ago. In the nonmetro portions of the Commonwealth, there are 16 counties recording increases over the year to go alongside 18 counties with declines in nonresidential permit authorizations.

It is quite unlikely that growth in overall building activity similar to that recorded in the mid 1980s will be repeated any time soon. On the residential side, relatively high housing prices and the probable satisfaction of pent-up demand argue against any significant turnaround in the near-term. Over the long-run, demographic forces will likely limit potential gains in housing activity. Simply put, the population of potential homebuyers may be shrinking, at least in relative terms, in Pennsylvania.

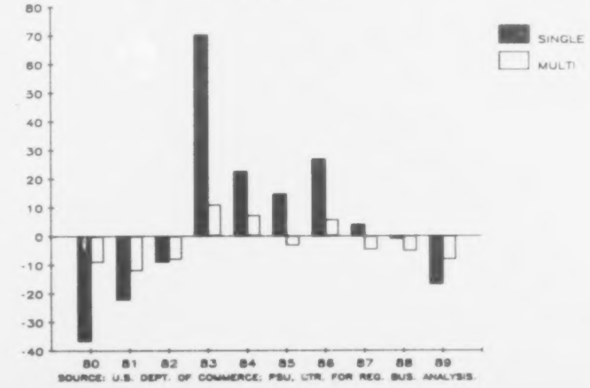
This is not to say that there will not be periodic cyclical improvement in the construction sector's fortunes in Pennsylvania, most likely in response to favorable credit conditions. Indeed, should the current downtrend in interest rates be a sign of things to come, some slight improvement later in 1990 may be apparent. However, the combination of low

PA AND U.S. HOUSING PERMIT GROWTH
(percent)

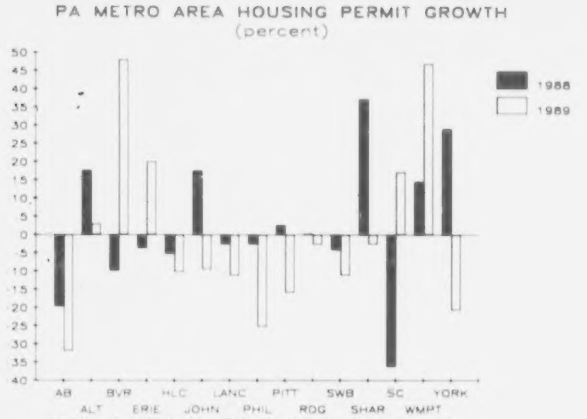


SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

PA SINGLE- & MULTI-FAMILY HOUSING PERMIT GROWTH
(percent)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

borrowing costs and fairly strong economic growth, similar to the situation which prevailed during the mid 1980s and contributed greatly to the strong showing on the part of construction, just is not in the cards. Until such a scenario unfolds, construction trends will likely remain unimpresive. Indeed, preliminary data for the first four months of 1990 show that permit activity in the State continues to fall at a rate similar to that for 1989, though some improvement over 1989 growth trends is noted in the Philadelphia and Pittsburgh regions.

— *William D. Anderson*

Focus on the U.S. Economy

Those involved in the publication of the Pennsylvania Business Survey *are constantly striving for consistency in reporting on economic conditions and trends as they relate to the Commonwealth. As a result, several dominant or overriding themes are often used as reference points and serve as common denominators in our analyses. Several times in the past, the ties between the Pennsylvania and U.S. economies have been highlighted. In order to keep readers updated on all factors having an impact on Statewide economic conditions, it is felt that it is worthwhile to provide a thorough overview of U.S. economic conditions on a periodic basis. This represents the third consecutive year that the June issue of the* Survey *focuses in on the national economy.*

Economists from five leading banks in Pennsylvania have agreed to provide commentary on U.S. economic conditions. The views expressed below are those of the contributors and do not necessarily reflect those of The Pennsylvania State University or the individual financial institutions. The Center for Regional Business Analysis gratefully acknowledges the contributions of each of the participants.

Jake Haulk, Vice President and Senior Economist, Mellon Bank, N.A., Pittsburgh, Pennsylvania.

While the underlying course of activity is still difficult to assess, most of the recent evidence points to a subpar growth rate over the balance of 1990. The prospects of a broad-based decline in construction activity, little if any growth in government spending and only scattered gains elsewhere in the economy argues in favor of growth in real GNP which may be less than 2 percent. Such a performance when coupled with inflation in the 4-5 percent range implies that the U.S. economy has moved into a stagflation-like environment.

The prospects for construction activity are bleak. An early or decisive reversal of the slump in housing starts seems unlikely in the face of firm interest rates and constraints on real estate lending imposed by increasingly stringent regulatory standards. Likewise, the plunge in contract awards for commercial and industrial construction points to declining expenditures over the balance of this year and possibly a good part of 1991 as well. As one convincing illustration, the trend of contract awards for office building construction has now fallen to its lowest level in at least ten years. In sum, the emerging picture is one of recession in the construction sector.

Strong gains in consumer spending are not in the cards for 1990. While real outlays for services, notably health care, are projected to climb at a spirited 3-4 percent annual rate, the outlook for spending on goods looks much less favorable. Briefly stated, the slowdown in job and income growth along with high debt burdens and some erosion of confidence is expected to dampen the demand for both durable and nondurable goods. The looming possibility of increased taxes at the federal, state and local levels must also be regarded as another potential negative in the outlook for many consumer markets. Against this backdrop, our latest forecast for real purchases of goods shows a feeble growth rate of 1 percent between the fourth quarter of 1989 and the final quarter of this year. We seriously doubt, therefore, that consumer spending can provide the impetus for a significant pickup in the rate of overall economic growth during 1990.

Despite the worrisome slump in contract awards for new manufacturing facilities, we are still forecasting moderate increases in spending for new equipment. Unfortunately, the risks to this forecast are mostly on the downside. During the post-World War II period, declines in corporate profits and cash flow have usually been followed by cutbacks in the growth of business investment outlays. Given last year's sharp decline in corporate profits, therefore, the best that might be expected for investment spending in 1990 is a year-over-year gain of between 3-4 percent. Nonetheless, an increase of this magnitude implies that business investment should continue to support a rising trend of overall economic activity over the balance of 1990.

In real terms, federal, state, and local government spending for goods and services is likely to be flat or even slightly downward during the remainder of 1990. Aside from the near certainty of cuts in defense spending, outlays in the public sector will be severely constrained by the mounting fiscal problems of state and local governments. On this point, it might be noted that at the end of last year the operating budget deficits of state and local governments — excluding social insurance funds — increased to a record yearly rate of almost $46 billion.

Notwithstanding the prospect of slow economic growth in the U.K. and Canada, U.S. exports in real terms should continue to climb at a healthy yearly rate of close to 7 percent through the balance of this year. But since imports are projected to increase at a near-6 percent rate, we are forecasting that the real net export balance will approximate $50 billion in 1990, representing a small improvement over last year's

$52.6 billion. In other words, the foreign trade sector will only make a minor contribution to this year's economic growth rate.

Unfortunately, there are formidable difficulties in the path of a sustained reduction in the inflation rate. Not only are prices in the service sector likely to rise at a rate above 5 percent, but industrial commodity prices could again trend upward in response to the buoyancy of economic conditions in most major countries. Bear in mind also that a firming of oil prices is to be expected if, as on similar occasions in the past, OPEC is ultimately able to curtail overproduction. Thus, notwithstanding April's low 0.2 percent increase in consumer prices, our latest forecast again shows an inflation rate of around 5 percent for the year as a whole.

Since we do not expect a quick change in Fed policy, our latest forecast looks for little material change in either short- or long-term interest rates over the next couple of months. Looking beyond the next 2-3 months, our expectation that the economy will remain in low gear suggests that there is room for a modest — 25-50 basis point — decline in interest rates.

Stuart G. Hoffman, Senior Vice President and Chief Economist, PNC Financial Corp., Pittsburgh, Pennsylvania

Real GNP rose by just 1.25 percent in the past two quarters — barely half of its long-run growth potential. Viewing the economy over these two consecutive quarters helps wash out the confluence of unusual events during this period. These included the Boeing strike and production rebound, the buildup and subsequent reduction in car production and inventories, and the mood swing of mother nature from frigid in December to hot flashes in January and February.

This spring brings the first opportunity to get a clearer read of economic conditions. As always, the evidence is mixed but leans heavily to the sluggish side. Payroll job growth ceased over the past three months, excluding the hiring of temporary census workers. Big job losses were widespread in the construction and manufacturing industries, which were about offset by new jobs in the service sector. Retail sales fell in March, April, and May. This is the first time retail sales fell for three consecutive months since early 1981. Auto sales were particularly weak last month and cars are again starting to pile up on dealers' lots. Auto production was up sharply in May and plans are to keep cars rolling off the assembly lines in the face of a possible strike next autumn. This improvement helped lift the Purchasing Managers' Index to 50.7 — its second straight reading above 50. Aggressive production plans, mixed with weak car sales, could spell trouble for auto makers, dealers, and suppliers. Construction spending fell in March and April with housing starts and sales reaching their lowest levels since the current expansion began in 1983. Moreover, construction contracts for future building are at their lowest levels in the past five years.

In summary, we doubt the economy can show sustained improvement in the face of the financial industry's troubles. Consequently, real GNP gains for the remainder of 1990 and 1991 will remain below-average (and the balance of risks is on the downside).

Fed policymakers are doing their best to stay out of the line of fire until the smoke clears on the underlying trends in jobs, output and inflation. Moreover, the Fed would prefer to sit quietly while the politicians debate the budget deficit debacle. The Fed's "hawks" are likely feeling more comfortable with the current stance of policy now that M2 growth has subsided to well within its target range and commodity prices have stabilized. The Federal funds rate appears locked at 8.25 percent during the next few months before slipping to 7.75-8 percent by early autumn. That would take the bank prime rate down to 9.5-9.75 percent. The Fed has the luxury to hold to a steady policy while the bond market takes over the role of interest rate disciplinarian. Bond yields rose in early spring in reaction to indications of higher inflation and then yields fell as inflation readings improved.

A combination of stringent regulatory oversight, problems in commercial real estate and general economic concerns have led banks to prudently tighten business credit conditions in selected troubled industries and regions. This is a dynamic process and there will be instances of businesses denied credit, but the situation does not yet qualify as a nationwide "credit crunch" that could tip the U.S. economy into a recession.

Carol A. Leisenring, Executive Vice President and Chief Economist, CoreStates Financial Corp., Philadelphia, Pennsylvania

Despite some wide swings in perceptions about the health of the economy, neither the outlook for 1990 nor our forecast has changed much in the past few months. Since January, perceptions about the economy have swung from fear that a recession was imminent to concern about rising inflation and the potential for Fed tightening. Although periods of slow economic growth are often subject to such wide-ranging interpretations, the monthly data in 1990 has been skewed by a number of unusual, one-time effects that have made it difficult to ascertain the underlying strength of the economy. Fortunately, the economy itself is not as volatile as perceptions by Wall Street and the media would have one believe. Even so, swings in opinion concerning the economy are likely to persist for several months, and should in turn lead to similar swings in expectations about interest rates and the course of Federal Reserve policy.

To be sure, the first quarter contained an inflation scare, but we believe the worst news on inflation for the year is now behind us. The consumer price index rose 8.5 percent in the first quarter, the largest quarterly increase since 1982. Underlying that rate were substantial increases in food (11 percent), energy (28 percent), and apparel (23 percent) prices. The increase in both food and energy costs were to a large extent caused by earlier, unfavorable weather patterns, the effects of which are already reversed; world oil prices have also dropped by 20 percent since January. The increase in apparel prices is more mystifying, but it is possible that seasonal patterns are responsible for much of the increase. Thus, the items that boosted first quarter inflation will at least be better-behaved in the coming months.

So the inflation rate is not going to remain at 8.5 percent as was the concern in the financial markets in April. We have raised slightly our inflation forecast for the year, but at 4.5 percent it remains in the range of experience over the past several years. The disappointing aspect of the inflation outlook is that there seems little likelihood of its improving below the 4.5 percent range. While the factors that have exacerbated inflation in the first quarter are already subsiding, some elements of the inflation rate, such as medical care and housing, show no sign of moderation.

While the financial markets will apparently be happy to see inflation return to what has become its "usual" pace, the Federal Reserve has repeatedly indicated that 4.5 percent inflation is not an acceptable long-run result. Given the Fed's desire to ratchet down the inflation rate, the first quarter bulge in the price level, and the associated rise in long-term interest rates that occurred in late April-early May, the case for Fed easing at this point is hardly overwhelming, regardless of how weak or strong the economy is. The Fed will need to see more favorable inflation patterns and additional evidence of economic weakness before an easier monetary policy could appear warranted. The better inflation numbers released in recent weeks are helpful in that regard, but the Fed is likely to want more than one month of data to be convinced. While there is evidence of a weaker economy, it is neither substantially weaker than expected, nor so weak that the Fed would be compelled to forestall a recession.

The bottom line is that while we still expect to see some additional interest rate declines, it may be mid-summer before they occur. There has been a small decline in short-term interest rates (20-40 basis points) in recent weeks, but any substantial and lasting decline in short rates (including a drop in the prime rate) is unlikely until the Fed eases. As long as the economy continues to expand, albeit modestly, a wait-and-see attitude by the Fed accomplishes more toward their inflation goal.

Bernard M. Markstein, Senior Economist and Vice President; Mark S. Uhle, Research Assistant, Meridian Bank, Reading, Pennsylvania

The outlook is for slow growth in the U.S. economy. The forecast for real GNP growth in 1990 is 1.6 percent, with some pick-up in 1991. Automobile sales will average a lethargic 9.9 million units in 1990. Real estate and construction will also be in the doldrums. Housing starts will face another down year, averaging 1.37 million units for the year. The outlook for office construction is not any better. Robust office construction in the mid 1980s left a glut of unoccupied space. Thus, high vacancy rates and an increasingly cautious business sector are acting as a brake on this sector.

The latest economic numbers support our forecast. Payroll employment rose 164,000 in May, including 147,000 part-time census workers. In addition, April's figure was revised downward to a decline of 23,000. This represents the first decline in payroll jobs since June 1986. The weakness which was concentrated in the manufacturing sector now is creeping into the service sector as well. Looking at the second quarter, real GNP growth will be less than 2 percent at an annual rate, despite some restocking of inventories. The sluggishness in the economy will become more apparent in the labor markets, with the U.S. unemployment rate edging up to 5.6 percent by year's end.

Inflation, which averaged over 8 percent (as measured by the Consumer Price Index) in the first quarter of 1990, will moderate considerably. The Producer Price Index, often a harbinger of consumer inflation, has had two consecutive negative readings (March and April). April's CPI was also encouraging as both overall and core (non-food and energy) inflation rose only a scant 0.2 percent. We forecast the CPI to increase 4.6 percent in 1990.

The trade picture has darkened recently, but will improve gradually in the second half of 1990. March's merchandise trade deficit widened to $8.4 billion from $6.1 billion in February. This poor showing masked the fact that exports rose 4.6 percent to a record $33.3 billion. Unfortunately, imports grew 10 percent during March, as the lagged effects of 1989's strong dollar continued to be felt. Thus far in 1990, the dollar has exhibited some weakness against most currencies (the Japanese yen and West German Deutsche mark are notable exceptions). This should result in an improving trade picture later on in 1990 and into 1991. Over the longer-run, exports will be boosted by the opening of Eastern Europe.

Business fixed investment is forecast to slow in 1990. In the current economic environment, businesses are being more cautious. Most companies are re-examining their capital spending plans. Meanwhile, facing the same uncertain environment, banks are scrutinizing loan applications more carefully. Thus, with both businesses and banks leery of a recession, business fixed investment will increase only 2.6 percent in 1990.

In summary, the baseline forecast is for slow growth in 1990, with no recession and no negative quarters. By 1991, the U.S. economy will begin to pick up strength again.

Joel L. Naroff, Senior Economist, First Fidelity Bancorporation, Philadelphia, Pennsylvania

The economy is in a period of slow economic growth and tight monetary policy that implies both declining inflation and interest rates as we go through the second half of 1990. This can and should occur without a recession.

In early 1990, temporary factors drove inflation and interest rates higher. Jumps in energy and food prices due to abnormally cold weather created an impression of rising inflation. Indeed, the 7.1 percent increase in the Consumer Price Index (CPI) in the first quarter 1990 was the highest since second quarter 1982. However, as the cause of the rising CPI was a one-time event, the inflation rate subsequently dropped dramatically, to an expected 3.5 percent second quarter rate, while producer prices have been essentially flat for the past four months.

In contrast to the temporary weather-driven price changes, the underlying inflation rate, which fundamentally determines the trend in price increases, is affected by the relationship between demand (GNP) growth and productive capacity (supply). Here, the conditions all point to declining inflation, as household consumption is slowing, businesses are easing investment activity in the face of the slackening demand, and monetary policy remains tight.

In the second half of 1990, real consumption is expected to grow by only 1.5 percent, compared to an average of 3 percent over the past three years. Personal income growth has slowed, consumer confidence is waning, and as a result, the willingness of households to take on additional debt has receded. Businesses, in the face of weak demand and mediocre corporate profits, have recently cut back on their investment plans. Finally, a federal budget deficit reduction compromise will almost assuredly raise taxes and slow spending growth, making fiscal policy less expansive. Indeed, the only area of expanding demand appears to be in the export sector. Thus, the spending patterns of households, businesses, and the government sector all point to slower real growth.

Part of this slowing in the economy can be traced to the tight monetary policy on the part of the Federal Reserve. Money supply growth has come to a standstill. Since monetary policy affects the economy and inflation with a lag, the springtime tightening will be felt in the second half of the year.

The impact of the double-barrelled real economic and monetary slowdown can already be seen. In the second quarter, employment growth in the private sector will be flat at best, and may even decline. Although manufacturing employment has been falling for a year, there is weakness now in the service producing sector. This is a positive sign for inflation. In the manufacturing sector, capital investment and more productive labor has led to rising productivity and lower unit labor costs. This has reduced operating costs and made manufacturing firms more competitive. The same process has to occur in the services sector, and the slower employment expansion may be a sign that it is finally beginning. If that move to controlling cost and raising productivity has started, the increase in service sector unit labor costs, which were in excess of 7 percent during the first quarter, should moderate, further reducing pressures on prices.

Finally, the sharp rises in worldwide interest rates, especially in Germany and Japan, that helped drive U.S. rates up in the winter and early spring have ended. Stability in the Japanese stock market has generated more stable interest rates in Japan. The German situation, however, is the one clear negative for our rate decline forecast. German currency and economic reunification could create greater upward pressure on German rates. However, this will be due, at least in part, to rising inflationary expectations, and will not necessarily cause U.S. rates to rise.

All of these signs point toward an easing of inflation and should lead to a moderate decline in interest rates over the next six months. Longer-term rates should decline first, with the short-end waiting to see when the Fed may be ready to ease. The Fed will not act until it is certain that inflation has decelerated, which would be indicated by additional low consumer and producer price increases as well as a real budget deficit reduction agreement. We expect that the prime rate could decline twice, to 9.25 percent from the present 10 percent level, mortgage rates should fall another 50 basis points to below 10 percent, the federal funds rate could decrease to 7.75 percent, and long-term treasury bonds may fall to 8 percent or even lower. Interest rates are coming down.

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LITTLE CHANGE IN STORE FOR THE FUTURE

Economic growth is likely to remain sub-par well into the foreseeable future in Pennsylvania. At various times earlier in the economic recovery, strength in individual sectors, especially services and construction, helped revive the economy just as it appeared that the expansion was near an end. **While it is doubtful that the economy's current sluggish state represents the onset of recession, it does not appear likely that any individual sector will step forward and help propel the State onto a higher growth path.**

It appears safe to argue that, for the most part, Pennsylvania has not performed up to nationwide norms throughout much of the current economic recovery, dating back to the 1982/1983 period. Recent research by the U.S. Department of Commerce drives this point home (table and chart). Over the 1979-1988 period, both job and population growth in Pennsylvania was considerably less than one-half the rate of expansion in the nation. Income growth was approximately 60 percent of the U.S. average. Commerce's long-range forecast, covering the 1988-2000 period, calls for Pennsylvania's sub-par performance to continue, though the gap with the U.S. is expected to lessen.

In reply, it may be argued that sluggish population growth will naturally bring down the rate of growth in certain measures of the economy's health, especially aggregate measures such as total jobs and income. While there may be some merit to this argument, it should be kept in mind that slow population growth, itself, is at least partly the result of the relatively poor showing on the part of the Pennsylvania economy. **At the least, historical and forecasted trends suggest that Pennsylvania accounts for a smaller share of total domestic economic activity and is likely to account for an even smaller share in the years ahead.**

The most recent batch of economic data covers the month of May. **While there is (very) scattered evidence of minimal improvement in some measures of goods producing activity, it does not provide any convincing evidence that several months of sluggishness is nearing an end. With respect to construction, residential activity remains in the doldrums.** The value of residential construction contracts awarded is essentially unchanged from April readings after seasonal adjustment and is down considerably from a year ago. So far this year, the number of new housing units authorized by permit is down 16 percent from the first five months of 1989. Recent trends also point to sluggishness on the nonresidential side. If there is any good news on the construction front in recent months, it has to do with nonbuilding projects (e.g. highways, airports, sewage systems, etc.).

Sluggish residential housing activity is reflected in recent price trends. **The increase in average permit valuations for single-family units in 1989 and so far in 1990 is the smallest recorded since 1982, at the height of the recession** (chart). While this is not a precise measure of trends in market prices, it is probably a good qualitative measure.

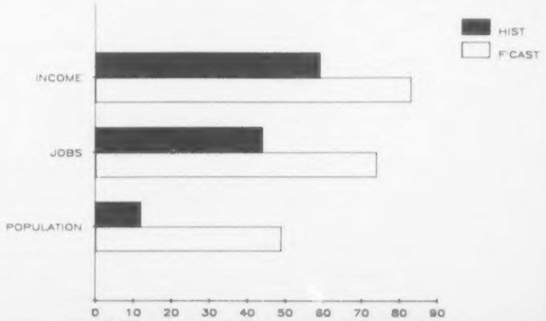
Last month, considerable deterioration in several measures of manufacturing's health was noted. At the time, caution against reading too much into these trends was exercised as they appeared to present the situation in an overly-pessimistic light. Such caution was apparent-

Historical and forecasted PA and U.S. trends for selected economic indicators (ave. ann. pct. chg.; historical period — 1979-1988; forecast period — 1988-2000)

	Personal Income		Total Jobs		Population	
	Hist	F'cast.	Hist.	F'cast.	Hist.	F'cast.
PA	1.5	1.6	0.8	0.8	0.1	0.4
U.S.	2.6	2.0	1.9	1.1	1.0	0.7

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis and Bur. of the Census; PSU, Ctr. for Reg. Bus. Analysis.

HISTORICAL AND FORECASTED PA GROWTH AS A PCT. OF U.S. GROWTH FOR SELECTED ECONOMIC INDICATORS
(hist. pd.--1979-1988; f'cast. pd.--1988-2000)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

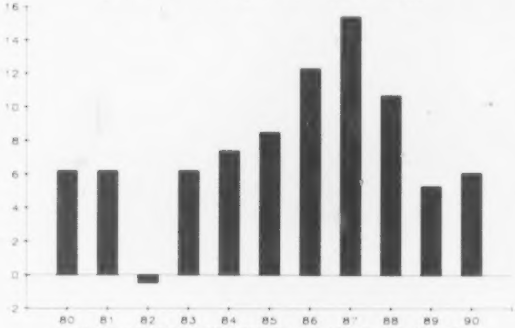
New Pennsylvania building permit authorizations (percent change from year ago)

	May	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,975	– 18.7	16,507	– 16.4
Nonresidential	2,373	– 15.7	7,867	– 10.2

Source: U.S. Dept. of Commerce, Bureau of the Census.

ly well-founded as essentially all non-job indicators reversed their April plunge in May. As hinted at last month, the timing of the Easter holiday probably contributed greatly to April's especially poor showing. Such measures as earnings, hours worked, and production each returned to pre-April readings in May. Unfortunately, even pre-April readings of the factory sector's health are, for the most part, relatively

GROWTH IN PA AVERAGE PERMIT VALUES
FOR NEW SINGLE-FAMILY UNITS
(percent change from year ago)



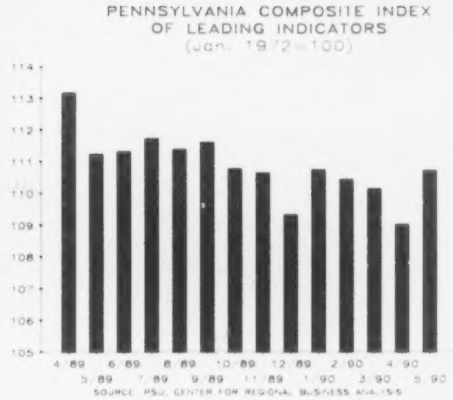
SOURCE: U.S. DEPT. OF COMMERCE, PSU, CTR. FOR REG. BUS. ANALYSIS

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	April	*May*	*May*	*April*	*May*	*May*	*April*	*May*	*May*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,137	5,153	5,131	5,136*	5,135	5,109	112.5	112.5	111.9
Service Producing									
No. of wage and salary jobs (thous.)	3,854	3,862	3,813	3,845	3,847	3,797	128.5	128.6	126.9
Transportation and public utilities	254*	253	257	253*	251	255	96.7*	95.9	97.5
Wholesale trade	282	282	280	282	282	279	127.2*	127.1	126.0
Retail trade	889*	890	895	896*	891	896	125.0*	124.3	124.9
Finance, insurance & real estate	296	297	296	297	297	296	136.6*	136.4	136.0
Service & miscellaneous	1,409	1,412	1,379	1,405	1,408	1,374	162.9	163.2	159.3
Federal government	147	153	144	146	153	144	113.7	119.3	112.1
State & local government	578	575	561	566	565	552	97.1	97.0	94.6
Goods Producing									
No. of wage and salary jobs (thous.)	1,282	1,289	1,313	1,291	1,288	1,312	82.0*	81.8	83.3
Construction	226	233	235	233	232	233	126.6*	126.2	126.7
Mining	27	27	28	28	27	28	57.3	56.7	57.3
Manufacturing	1,028	1,029	1,051	1,031	1,029	1,052	76.9*	76.7	78.4
Durable goods	584	584	603	585	584	602	72.2	72.1	74.3
Nondurable goods	444	444	449	447	446	450	83.9	83.8	84.6
Ave. wkly. hrs. worked by prod. workers	39.5*	40.7	40.7	39.7*	40.9	40.9	100.5*	103.6	103.5
Total wkly. person-hours worked (mils.)	28.0	28.9	29.6	28.2	29.0	29.8	73.6*	75.6	77.5
Total wkly. payroll (mil. dols.)	305.9*	318.0	313.5	308.1*	320.3	315.6	137.1*	142.5	140.5
Average hourly earnings (dollars)	10.91	11.02	10.59	10.90	11.04	10.61	186.3*	188.8	181.3
Average weekly earnings (dollars)	430.95	448.51	431.01	433.55	452.13	434.29	187.4*	195.4	187.7
Steel production (thous. tons)	1,027	1,067	1,120	n.a.	n.a.	n.a.	40.7	44.5	46.7
Industrial electric power sales (mil. kwh)	3,713	3,751	3,787	3,763	3,835	3,857	101.9	103.9	104.4
Mining									
Anthracite coal (thous. net tons)	297	329	276	320	332	277	65.5	68.0	56.7
Bituminous coal (thous. net tons)	5,821	6,546	5,752	5,682	6,059	5,322	80.6	85.9	75.5
Construction contracts awarded (mil. dols.)									
Total	816.5	977.7	920.8*	796.9	883.9	840.4*	247.7	274.7	261.2
Residential building	337.3	377.5	436.5*	298.7	307.4	370.4*	212.2	218.4	263.2*
Nonresidential building	280.5	244.7	300.8*	315.5	240.2	296.4*	290.8	221.4	273.2*
Nonbuilding (utilities and public works)	198.7	355.5	183.4*	182.7	336.3	173.6*	252.1	464.0	239.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,562	5,604	5,567	5,602	5,643	5,605	116.6	117.4	116.6
Unemployed									
No. of persons (thous.)	315	285	259	340	293	267	84.8	73.1	66.7
Rate (percentage of labor force)	5.4	4.8	4.4						
Rate, seasonally adjusted				5.7	4.9	4.5			
Civilian labor force, no. of persons (thous.)	5,878	5,889	5,826	5,942	5,936	5,872	114.1	114.0	112.8
Initial claims for unemployment benefits	88,941	84,675	82,601	92,942	100,050	93,612	64.9	69.9	65.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989		
	March	*April*	*April*	*Month Ago*	*Year Ago*
U.S. city average	128.9	129.2	123.8	0.2	4.4
Philadelphia	134.3	134.6	127.9	0.2	5.2
Pittsburgh	124.9	n.a.	119.2	n.a.	4.8

[1] Total includes workers on strike. * = figure revised § = figure for April 1989 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ~~ON REQUEST.~~


PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan. 1972=100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
September	111.6	84.2	0.2	-0.4
October	110.8	84.1	-0.7	-0.1
November	110.6	84.6	-0.2	0.6
December	109.3	83.6	-1.2	-1.2
January 1990	110.7	84.1	1.3	0.6
February	110.4	84.0	-0.3	-0.1
March	110.2	83.6	-0.3	-0.4
April	109.0	82.1	-1.1	-1.8
May	110.7	83.6	1.6	1.8

weak. This turnaround, most notably in the average workweek and inflation-adjusted weekly earnings, contributed greatly to a strong gain in the index of leading economic indicators (chart).

However, the manufacturing job situation continues to deteriorate. May brings with it another reduction in job levels: down 22,000 from a year ago and 2,000 (seasonally adjusted) from April readings. **Nationwide, there are some preliminary signs that manufacturing's fortunes are beginning to stabilize. While these signs do not suggest that growth in manufacturing activity is likely to pick up, they do suggest that the worst may be behind us. Should such a trend materialize, it would surely benefit the Commonwealth. Clearly, this sector's fortunes merit extra attention in the months ahead as a clue to where Pennsylvania's economy is headed.**

Two trends stand out concerning the most recent readings of service producing jobs. There is a large increase in federal government jobs in May. Specifically, jobs total a seasonally adjusted 153,000, up from 146,000 in April. The hiring of temporary census workers no doubt accounts for most, if not all, of the increase. Similar patterns are apparent during the first several months of 1970 and 1980. If historical patterns hold true, by the end of the summer job levels will return to normal. Secondly, retail trade job totals are off considerably in May, both on a seasonally adjusted basis compared to April and from a year ago. Still, because of the strength in federal government and service hiring, service producing jobs as a whole are up slightly during May.

In light of the weak retail trade job performance in recent months, a sub-par trend with respect to sales is not especially surprising. Through April, sales are up a weak 3.4 percent (table) from a year ago, not nearly enough to make up for price gains. Weakness is fairly evenly spread across both the durable and nondurable goods categories. The downtrend in new motor vehicle registrations, an indicator

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

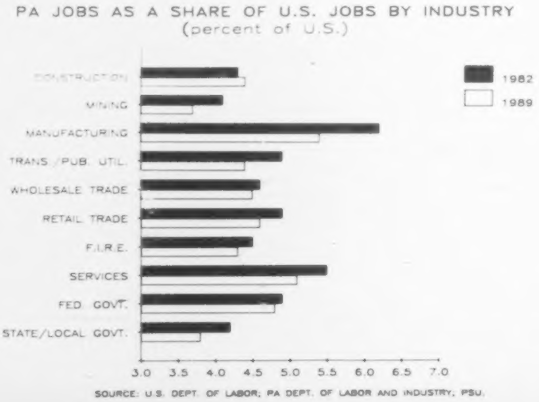
	April	Pct. chg.	Year-to-date	Pct. chg.
Total	6,665	2.8	25,551	3.4
Durables	2,374	1.9	9,035	2.8
Bldg. mat.	266	0.8	920	-0.4
Auto dlrs.	1,408	-4.2	5,289	-1.8
Furniture	307	7.0	1,258	12.5
Other	393	27.2	1,568	15.5
Nondurables	4,291	3.2	16,516	3.7
Gen. mdse.	705	4.8	2,393	4.4
Food/grocery	1,330	1.2	5,401	3.1
Gas	384	-1.5	1,524	4.7
Apparel	338	3.0	1,213	4.0
Eat/drink	821	4.6	3,046	4.5
Drugs	253	-0.8	1,015	-0.8
Other	460	11.9	1,924	5.4
Seas. adj. total: April		6,761		
March		6,923		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis. Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
April	52,141	-18.0
1990 YTD	201,680	- 7.2
12-month total	649,786	- 8.3

Source: R.L. Polk & Co.


PA JOBS AS A SHARE OF U.S. JOBS BY INDUSTRY
(percent of U.S.)

SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY; PSU.

of auto-related spending, shows no signs of abating. The general slowdown in retail activity in the State has pushed down the growth rate of sales and use tax revenues in Pennsylvania.

Historical job trends in practically all Pennsylvania industry groups provide evidence of the State's weak showing vs. the nation throughout the 1980s. In every industry but construction, Pennsylvania's share of U.S. jobs declined between 1982 and 1989 (chart). In manufacturing, Pennsylvania's share dropped from 6.2 to 5.4 percent. Even in the fast-growing services industries, Pennsylvania accounted for 5.1 percent of all jobs in 1989, down from 5.5 percent in 1982.

While there is a minimal amount of improvement noted compared to April, employment and unemployment trends through May depict an economy which is essentially holding steady. Through the first five months of the year, employment is off slightly from a year ago while joblessness has increased a bit. The general uptrend in initial claims for unemployment insurance evident since the beginning of 1989 points to a continuation of rising unemployment in the Commonwealth.

— William D. Anderson

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August 1990

FURTHER WEAKNESS EXPECTED IN THE MONTHS AHEAD

The books have been closed on the first half of 1990 in Pennsylvania and, as expected (see the February 1990 *PBS*), the results are far from encouraging. No signs of strength are evident anywhere on the economic landscape as the situation continues to deteriorate on the goods producing side with some of the weakness filtering into the service-related sectors. Nationally, the bad news has swamped what little good news there has been of late. Only the most optimistic observers foresee any near-term rebound in Pennsylvania's economy in this environment.

Perhaps the most watched indicator of the economy's health is unemployment. **On a seasonally adjusted basis, the jobless rate has averaged 5.2 percent during the first six months of 1990. This is up from the 4.5 percent average for 1989 and comes on the heels of six consecutive years of decline.** In June, the rate is actually down from May, but the improvement is minimal and is not a sign of any turnaround. In this year's second quarter, jobless rates are up from a year ago in 63 of the Commonwealth's 67 counties.

When all of the monthly ups and downs are averaged, employment is doing no better than holding steady. During the first six months of the year, 5,578,000 Pennsylvanians are officially counted among the employed. A year ago, the comparable figure was 5,584,000. Employment in the second quarter is off from a year ago in 28 counties throughout the State. Employment and unemployment measures for July, which typically provide the first reading of the economy's health in any given month, have recently been released and they depict continued sluggishness.

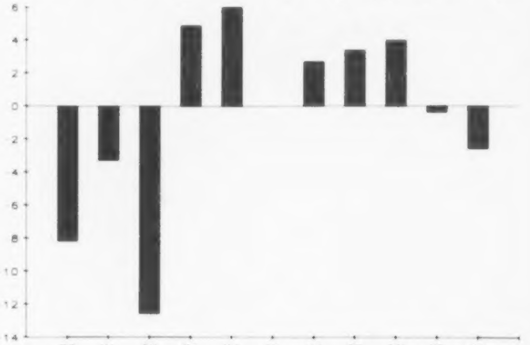
Much of the economy's current weakness is concentrated on the goods producing side. During the first several years of economic recovery, the growth in manufacturing output in Pennsylvania was quite robust. Between 1983 and 1988, output rose at a healthy clip in every year but one (chart). That situation reversed itself when output inched downward in 1989. So far this year, that downtrend has intensified. Just as it was a major player in the recessions of the early 1980s and the improvement in the economy in the mid 1980s, the health of the factory sector is once again a major determinant of the current state of the economy in Pennsylvania.

Construction activity appears to be going nowhere in the Commonwealth. In June, 21 percent fewer new housing units have been authorized by permit compared to a year ago, bringing the year-to-date decline to 17 percent. Nonresidential authorizations are also trending down as permitted projects are off 9 percent in this year's first half. Permitted activity, especially on the residential side, is down in the Allentown-Bethlehem, Philadelphia, and Pittsburgh regions. The dollar value of all construction contracts awarded through the first half of this year is off 18 percent from the same period a year ago with sizable declines in all three major categories: residential, nonresidential, and nonbuilding.

Retail sales trends remain disappointing. Even before price increases are taken into account, sales in May, the most recent data available, are down 1.7 percent from a year ago. For the year, sales are up a weak 2.3 percent, only about one-half the general rise in prices. Durable goods sales appear especially weak, most notably for building materials and auto dealers. Through May, new motor vehicle registrations are off 8 percent from a year ago, a further indication of sluggish auto-related sales. While the situation is a bit more positive for the State's nondurable goods retailers, conditions there are still far from strong.

Sales are headed in opposite directions in the State's two largest metropolitan areas. **While sales in the Philadelphia region are up 5 percent through May compared to a year**

GROWTH IN PENNSYLVANIA MANUFACTURING OUTPUT
(annual pct. chg. in the PA Mfg. Activity Index)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

New Pennsylvania building permit authorizations (percent change from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,639	−20.7	20,143	−17.3
Nonresidential	2,467	− 4.5	10,297	− 8.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

ago, retailers in the Pittsburgh region have posted a decline of the same magnitude. Except for a temporary period in 1987 and 1988, Philadelphia has consistently turned in a stronger showing than Pittsburgh on the retail sales front during the course of the current economic recovery (chart).

On the nonfarm jobs front, there is little change in the general pattern of recent months. **Job levels continue to decline in the factory sector while the growth in service producing jobs continues to moderate.** The increase of 6,000 manufacturing jobs between May and June is well short of expectations based on historical trends, resulting in a sizable drop in seasonally adjusted job levels. **Compared to a year ago, factory job readings are down by a worrisome 23,000.** In light of the recent downtrend in the average workweek, a leading indicator of manufacturing job trends, it is unlikely that the situation will improve considerably in the months ahead. After several years of impressive growth, the last several months have found the construction sector struggling to maintain job levels in the face of declines in the level of activity.

As predicted in last month's *Survey*, federal government jobs are down considerably in June as a result of the termination of temporary census-related employees. The only other notable trend in the service producing sector is found in the services category where job levels are up sharply in June. However, **at 2.5 percent so far this year, job growth in the services industry is down considerably from the 4 percent average of the 1982-1989 period.**

The sluggish nature of the economy, both in the Commonwealth and in the U.S. as a whole, gives rise to some

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,151*	5,165	5,152	5,132*	5,125	5,111	112.4*	112.3	112.0
Service Producing									
No. of wage and salary jobs (thous.)	3,859*	3,860	3,821	3,844*	3,841	3,802	128.5*	128.4	127.1
Transportation and public utilities	255*	256	258	253*	254	256	96.7*	97.1	97.9
Wholesale trade	282	284	282	282	282	280	127.1	127.3	126.1
Retail trade	890	893	897	891	891	895	124.2*	124.2	124.8
Finance, insurance & real estate	297	299	300	297	296	297	136.4	136.0	136.4
Service & miscellaneous	1,412	1,423	1,390	1,407*	1,412	1,380	163.1*	163.7	160.0
Federal government	154*	149	145	153	148	143	119.4*	115.4	111.9
State & local government	570*	555	550	561*	558	553	96.3*	95.7	94.9
Goods Producing									
No. of wage and salary jobs (thous.)	1,290*	1,304	1,329	1,289*	1,284	1,309	81.9*	81.6	83.2
Construction	234*	242	243	232	232	233	126.3*	126.2	126.8
Mining	27	28	28	27	27	28	56.7	56.7	57.3
Manufacturing	1,029	1,035	1,058	1,030*	1,026	1,050	76.7	76.5	78.2
Durable goods	585*	588	606	584	582	600	72.1	71.9	74.1
Nondurable goods	444	447	452	446	444	450	83.8	83.4	84.5
Ave. wkly. hrs. worked by prod. workers	40.6*	40.7	41.1	40.8*	40.6	41.0	103.4*	102.7	103.7
Total wkly. person-hours worked (mils.)	28.8*	29.2	30.1	29.0	28.9	29.7	75.5*	75.3	77.5
Total wkly. payroll (mil. dols.)	316.9*	321.8	319.7	319.1*	319.2	316.9	142.0*	142.1	141.1
Average hourly earnings (dollars)	11.01	11.03	10.63	11.03	11.05	10.66	188.6*	188.9	182.2
Average weekly earnings (dollars)	447.01	448.92	436.89	450.61	448.47	436.42	194.8*	193.9	188.7
Steel production (thous. tons)	1,067	990	1,003	n.a.	n.a.	n.a.	44.5	45.4	46.0
Industrial electric power sales (mil. kwh)	3,751	3,852	3,954	3,835	3,789	3,883	103.9	102.6	105.1
Mining									
Anthracite coal (thous. net tons)	329	327	253	332	352	266	68.0	72.0	54.4
Bituminous coal (thous. net tons)	6,546	6,232	5,156	6,059	6,536	5,174	85.9	92.7	73.4
Construction contracts awarded (mil. dols.)									
Total	977.7	919.2	1558.6*	883.9	668.3	1010.6*	274.7	207.7	314.1*
Residential building	377.5	313.4	389.3*	307.4	288.1	336.3*	218.4	204.7	238.9*
Nonresidential building	244.7	371.8	415.1*	240.2	266.3	287.6*	221.4	245.5	265.1*
Nonbuilding (utilities and public works)	355.5	234.1	762.4*	336.3	113.9	386.7*	464.0	157.1	533.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,604	5,678	5,673	5,643	5,624	5,621	117.4	117.0	117.0
Unemployed									
No. of persons (thous.)	285	296	268	293	271	242	73.1	67.5	60.3
Rate (percentage of labor force)	4.8	5.0	4.5						
Rate, seasonally adjusted				4.9	4.6	4.1			
Civilian labor force, no. of persons (thous.)	5,889	5,974	5,941	5,936	5,894	5,862	114.0	113.2	112.6
Initial claims for unemployment benefits	84,675	88,201	87,083	100,050	98,269	95,051	69.9	68.6	66.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	May	*June*	*June*	*Ago*	*Ago*
U.S. city average	129.2	129.9	124.1	0.5	4.7
Philadelphia	134.6	135.1	128.8	0.4	4.9
Pittsburgh	n.a.	125.0	120.4	n.a.	3.8

[1] Total includes workers on strike. * = figure revised n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1990:IIQ county employment
(pct. and pct. pt. changes are from year-ago quarter)

	Empl. (thous.)	Ann. pct. chg.	Umemp. Rate (pct.)	Ann. pct. pt. chg.*
Adams	38.2	0.2	3.6	0.0
Allegheny	638.1	1.4	4.0	0.1
Armstrong	27.0	-1.6	7.2	0.8
Beaver	55.2	-0.4	7.5	0.5
Bedford	20.3	1.6	7.7	0.8
Berks	170.8	0.6	4.9	0.8
Blair	57.9	2.1	6.5	0.8
Bradford	29.4	-0.7	5.5	1.6
Bucks	287.8	-0.8	4.0	1.1
Butler	71.1	0.0	5.4	0.9
Cambria	58.7	-0.5	7.3	1.0
Cameron	2.6	-0.6	7.4	-0.1
Carbon	23.6	-0.4	7.5	1.7
Centre	64.1	2.9	4.8	0.6
Chester	194.4	-0.8	3.0	0.7
Clarion	16.4	-4.7	8.9	2.0
Clearfield	32.1	-1.3	9.5	2.3
Clinton	14.2	0.1	8.9	1.9
Columbia	30.0	0.5	5.7	1.2
Crawford	37.0	-0.3	6.6	1.2
Cumberland	108.8	1.7	3.2	0.5
Dauphin	132.6	1.6	4.2	0.6
Delaware	280.8	-0.8	3.7	0.5
Elk	16.5	-0.1	5.5	0.3
Erie	127.2	0.8	5.1	0.2
Fayette	55.1	1.4	7.6	0.5
Forest	1.7	-0.4	8.8	-0.3
Franklin	57.0	0.2	4.4	1.0
Fulton	5.9	0.3	5.4	-0.1
Greene	11.5	-2.7	9.5	1.0
Huntingdon	18.1	0.9	8.7	1.1
Indiana	31.8	-1.0	8.4	0.1
Jefferson	18.7	-1.6	6.9	0.7
Juniata	9.4	1.9	10.4	2.8
Lackawanna	103.9	0.5	6.4	1.4
Lancaster	217.8	-0.2	3.8	0.8
Lawrence	46.3	0.1	5.3	0.8
Lebanon	63.0	1.7	4.3	-0.2
Lehigh	141.9	-0.5	5.0	0.9
Luzerne	151.1	0.6	6.6	0.8
Lycoming	57.4	1.1	6.6	0.9
McKean	19.7	1.8	6.8	0.7
Mercer	49.5	1.0	5.5	1.3
Mifflin	20.6	2.3	7.5	1.4
Monroe	47.0	0.6	6.3	2.5
Montgomery	375.8	-0.8	3.4	0.8
Montour	7.8	-1.2	4.8	0.7
Northampton	111.2	-0.5	5.4	1.5
Northumberland	45.6	-1.0	8.2	2.1
Perry	20.4	1.7	4.9	0.7
Philadelphia	690.5	-0.8	5.8	0.7
Pike	12.5	2.3	5.6	1.5
Potter	7.4	4.0	6.9	0.2
Schuylkill	69.5	1.1	7.0	0.9
Snyder	18.2	-0.9	5.5	1.0
Somerset	29.9	-0.3	7.3	0.4
Sullivan	2.9	1.9	4.8	0.5
Susquehanna	17.4	2.9	7.2	1.3
Tioga	17.4	0.5	6.5	1.5
Union	16.4	-0.7	5.0	0.9
Venango	23.4	-0.3	5.7	0.1
Warren	21.6	0.3	4.8	0.3
Washington	89.3	1.4	5.1	0.0
Wayne	19.3	2.4	5.7	1.3
Westmoreland	167.5	1.4	5.4	0.2
Wyoming	12.7	0.8	5.8	0.5
York	176.1	0.2	4.8	0.9

Source: PA Dept. of Labor and Industry;
PSU, Ctr. for Reg. Bus. Analysis.
*Current rate minus year-ago rate.

PA metropolitan county bldg. permit authorizations
(percent change from year ago; only those counties shown are asked to report all permitted activity)

	1990: IIQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	603	-19.9	1,084	-16.6
Carbon	62	-12.7	90	-25.6
Lehigh	223	-36.5	472	-28.4
Northampton	318	-3.9	522	0.4
Beaver County MSA	150	37.6	263	51.1
Philadelphia MSA	2,440	-23.8	4,712	-20.6
Bucks	643	-16.8	1,240	-29.3
Chester	580	-26.4	1,079	-30.4
Delaware	180	-35.5	395	-23.3
Montgomery	700	-39.6	1,616	-9.7
Philadelphia	337	64.4	382	17.9
Pittsburgh MSA	1,277	-14.1	2,213	-3.8
Allegheny	624	-33.1	1,180	-18.7
Fayette	158	66.3	204	47.8
Washington	179	31.6	306	39.1
Westmoreland	316	-2.2	523	6.3
Adams County	210	1.0	377	7.1
Nonres. buildings				
Allentown-Beth. MSA	743	5.1	1,059	2.2
Carbon	55	34.1	91	56.9
Lehigh	285	-3.4	425	-11.8
Northampton	403	8.6	543	9.5
Beaver County MSA	126	6.8	164	8.6
Philadelphia MSA	1,743	-2.7	2,496	-4.9
Bucks	577	-8.6	811	-1.6
Chester	430	20.8	624	0.0
Delaware	204	6.3	275	-4.2
Montgomery	486	-13.8	706	-13.4
Philadelphia	46	-4.2	80	6.7
Pittsburgh MSA	809	-12.5	1,196	-3.1
Allegheny	417	-14.4	584	-8.8
Fayette	83	-12.6	122	-15.3
Washington	130	-20.2	210	3.4
Westmoreland	179	-0.6	280	13.4
Adams County	66	-36.5	113	-26.6

Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	May	Pct. chg.	Year-to-date	Pct. chg.
Total	7,014	-1.7	32,578	2.3
Durables	2,497	-7.7	11,542	0.4
Bldg. mat.	310	-15.3	1,235	-4.3
Auto dlrs.	1,526	-8.6	6,838	-3.1
Furniture	307	-3.5	1,547	7.7
Other	354	0.3	1,922	12.3
Nondurables	4,517	1.9	21,036	3.4
Gen. mdse.	721	0.1	3,115	3.4
Food/grocery	1,438	-0.3	6,863	2.7
Gas	401	-3.4	1,925	2.9
Apparel	345	-0.3	1,563	3.4
Eat/drink	882	15.6	3,914	6.4
Drugs	268	2.3	1,283	-0.2
Other	462	-4.5	2,373	2.7
Seas. adj. total: May		6,728		
April		6,774		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

talk of recession. Recent job trends in Pennsylvania are not inconsistent with trends evident prior to past recessions. Over the course of the past twelve months, nonfarm job growth has eased from an annual rate of about 1 percent to under 0.5 percent in Pennsylvania. A similar slowdown

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
May	54,094	−9.6
1990 YTD	255,774	−7.7
12-month total	644,056	−8.6

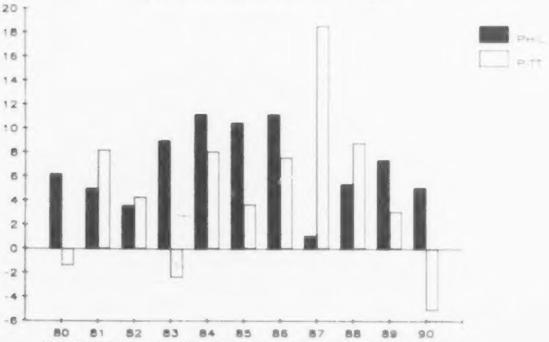
Source: R.L. Polk & Co.

Philadelphia and Pittsburgh metropolitan area retail sales (millions of dollars; pct. chg. from year ago; data through May)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	13,915	5.1	5,552	− 5.1
Durables	4,965	4.1	1,760	−12.3
Bldg. mat.	551	− 9.5	197	− 2.0
Auto dlrs.	2,685	− 0.7	934	−23.6
Furniture	769	20.3	199	−13.5
Other	960	17.4	430	21.8
Nondurables	8,950	5.7	3,792	− 1.4
Gen. mdse.	1,248	− 0.2	663	2.5
Food/grocery	3,019	5.0	987	6.9
Gas	669	− 0.9	417	4.8
Apparel	818	6.9	318	5.6
Eat/drink	1,542	11.8	740	−11.6
Drugs	612	11.5	359	− 7.5
Other	1,042	6.9	308	−12.3

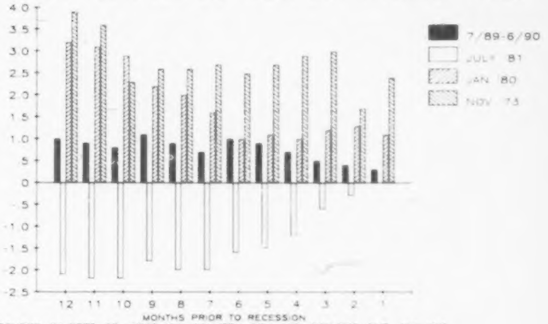
Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

PHILADELPHIA AND PITTSBURGH METROPOLITAN AREA RETAIL SALES GROWTH
(annual percent change)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

NONAGRICULTURAL JOB GROWTH: 7/89-6/90 AND 12 MONTHS PRECEDING THREE PREVIOUS RECESSIONS
(annual percent change; recessions began in July 1981, January 1980, and November 1973)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

in growth is evident in the twelve months preceding the November 1973 and January 1980 recessions. What is worrisome, however, is that the level of job growth prior to these two downturns was several times greater than it has been of late. Prior to the July 1981 recession, job growth was negative. Surprisingly, the rate of decline eased considerably prior to the start of the recession. However, the fact that this period was sandwiched in between two recessions almost certainly skewed job trends.

Recent trends in the Pennsylvania index of leading indicators do not point to any improvement in the near-term. Along with trends in the factory sector, national and international developments are likely to determine the course of the Pennsylvania economy through 1991. Over the course of the current economic expansion, the U.S. economy has been declared dead by a sizable portion of the economics community on more than one occasion. Each time, the economy displayed an uncanny ability to rebound. In light of this resiliency, it is perhaps too early to arrive at a similar conclusion today, despite the daunting presence of stubborn budget and trade deficits and inflationary pressures. For now, the most likely scenario finds the Pennsylvania economy muddling along with the nation's, with no considerable changes from the current situation.

— *William D. Anderson*

(As spelled out above, current expectations are for the U.S. and Pennsylvania economies to move forward and avoid a recession by the slightest of margins in the months ahead. However, as this issue of the Pennsylvania Business Survey *is being prepared, tensions in the Middle East are mounting and the situation there is changing almost continuously. The economic fallout from these developments will be felt in the weeks and months ahead. For the domestic economy, these events could not have unfolded at a worse time given the economy's already-weak condition and they do have the potential to plunge the U.S. and Pennsylvania into a recession if their impacts are felt for a prolonged period of time.)*

Around the State

Northeastern Quarter

Allentown-Bethlehem

Most measures of activity suggest that the economy of the four-county Allentown-Bethlehem region is at a standstill based upon trends through the first half of the year. While the economy does not appear to be giving back much of the gains accumulated in recent years, it is certainly not adding to them. Current expectations are for more of the same. While a recession cannot be ruled out, growth is likely to be just strong enough for the economy to stay afloat in the months ahead.

The economy's weak showing is evident in recent job trends in the region's nonfarm establishments. After a six-year period during which job growth averaged 2 percent, growth so far this year comes in at a worrisome 0.5 percent. Still, this leaves job readings at a record high of over 280,000.

Some weakness is evident in the service producing sector where essentially all new jobs have been generated in recent years. Job levels in these establishments have apparently topped out for the time being. On a seasonally adjusted basis, second quarter readings are down slightly from the first three months of the year.

The job situation in the goods producing sector remains anemic. Second quarter job totals are down by 2,200 from a year ago. Job levels have declined in five consecutive quarters on a seasonally adjusted basis. Trends in the average factory workweek and electricity sales to industrial customers also point to some weakness in manufacturing activity. The year-to-date decline in durable goods jobs comes in at 800, double the loss on the nondurable goods side.

During the mid 1980s, the region experienced a housing boom. More recent trends point to a fair amount of weakness in construction trends. The value of contract awards is off on both the residential and nonresidential sides. The number of new housing units authorized by permit is down 17 percent so far this year while new nonresidential projects stand barely above year-ago readings. Construction jobs are down by 600 from the first half of 1989 in settling at 12,800.

Not surprisingly, the sluggish state of the metro area's economy has brought to a halt several years of improvement on the employment/unemployment front. The number of residents officially listed as employed stands below year-ago readings after six consecutive years of gains. The number of unemployed during the first half of 1990 stands nearly 5,000 above a year ago. As a result, the jobless rate, at 5.3 percent in the second quarter, is up 1.2 percentage points for the year. Should first-half trends remain in place through year-end, the unemployment rate in 1990 is likely to be the highest since 1986.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	314.4	115	115	115
Unemployed, no. of residents	17.6	87	90	67
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	332.0	113	113	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	283.5	110	110	110
Srv. Prod. only, no. of jobs	195.2	139	140	137
Goods Prod. only, no. of jobs	88.1	75	76	77
Hrs. worked by production workers in mfg., ave. weekly	39.4	103	104	104
Industrial electric power sales				
Metropolitan area	...	104	103	110
Allentown	...	95	96	97
Bethlehem	...	107	107	118
Easton	...	120	110	114
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	115.4	−30		
Nonresidential contracts only	72.5	−16		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre

The employment/unemployment situation in the Scranton-Wilkes-Barre metro area is perhaps best characterized in "good news/bad news" terms. The bad news is that employment growth has eased considerably in recent months, resulting in an uptrend in joblessness. The good news is that the slowdown comes after several years of improvement. Current conditions subtract only slightly from the gains recorded in the 1980s. Second quarter finds employment up by a weak 1,900 from a year ago and the jobless rate up by more than a percentage point.

Each of the five counties in the region finds employment up less than 1 percent from a year ago during the April-June period. Each also finds the jobless rate up with Monroe County turning in a 2.5 percentage point gain, the second largest in the State.

Goods producing job levels have been in a holding pattern throughout the current economic recovery, stretching back to 1983. Second quarter's job total, 86,100, is down by 900 from a year ago. Construction jobs are up by 400 on an annual basis during the first half of the year. The value of contract awards is up nicely on the nonresidential side but down by nearly one-fourth for residential projects. Manufacturing job readings are down by 1,100 on a year-to-date basis. Apparel products, the area's largest manufacturing employer, has reduced payrolls by 1,000 through the first half of 1990. Electricity sales to industry, a proxy for production trends in the factory sector, have been holding fairly steady for about the past year. Over the same period, Statewide trends show that factory production has declined slightly.

Service producing jobs continue to increase. Through this year's first six months, jobs are up by 5,400 from a year ago. However, seasonally adjusted job levels are showing signs of topping out. The region's two largest service producers, services and retail trade, continue adding workers to payroll, but job gains so far this year are only about one-half the average from the 1982-1989 period.

For now, the term "slowdown" better describes the northeastern Pennsylvania economy than does "recession."

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	344.7	122	122	121
Unemployed, no. of residents	23.5	77	82	62
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	368.2	118	118	115
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	309.5	118	119	117
Srv. Prod. only, no. of jobs	223.3	137	137	134
Goods Prod. only, no. of jobs	86.1	87	88	88
Hrs. worked by production workers in mfg., ave. weekly	38.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	121	119	119
Lackawanna County[2]	...	133	133	133
Luzerne County[3]	...	112	108	107
Hazleton	...	101	96	97
Wilkes-Barre	...	124	118	112
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	144.6	−23		
Nonresidential contracts only	74.7	+40		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

While the overall level of economic activity probably continues to rise, the pace of the expansion has slowed considerably. Unfortunately, such a scenario will likely result in further upward pressure on joblessness and it will keep the region's factory sector in the doldrums.

Williamsport

Evidence which points to a relatively sluggish overall economy continues to mount in Lycoming County. On a seasonally adjusted basis, total nonfarm jobs are down from the first three months of the year during the second quarter. Through the first six months of the year, establishment jobs have averaged 52,100 for a gain of 1.3 percent from the same period a year ago. This represents the weakest pace of job growth since 1983.

Relative to the goods producing sector, the region's service producers continue to turn in a solid performance. The 34,100 service-related jobs in the second quarter translate into another record total. The pace of job growth in these industries so far this year falls pretty much in line with trends throughout the recovery period. Job trends in the region's goods producing establishments have taken a marked turn for the worse over the course of the past several months. These industries turned in a fairly encouraging performance through 1987, but they have slowly whittled away at job totals since then. On a seasonally adjusted basis, job levels have declined 4.7 percent between February and June of this year. At the same time, second quarter industrial power sales are up sharply. On the construction front, the dollar value of contracts awarded suggests that nonresidential activity is up by more than one-half so far this year to go alongside a fairly sluggish showing on the residential side.

As in the rest of the State, the current slowdown in the economy has resulted in some upward pressure on unemployment. In the second quarter, the jobless rate in the Williamsport region, at 6.6 percent, is up 0.9 percentage point from a year ago. Over that time, employment is up by 600, not nearly enough to absorb the gain of 1,300 in the labor force. The end result is an uptick of 600 in the number of unemployed.

Williamsport Area[1]

	Ave. mo. value 2 Q.'90	Average monthly index seas. adj. (1977 = 100) 2 Q.'90	1 Q.'90	2 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	57.4	122	123	121
Unemployed, no. of residents	4.0	90	92	77
Rate, seasonally adjusted	6.8			
Civilian labor force, no. of residents	61.5	120	121	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.5	114	115	113
Srv. Prod. only, no. of jobs	34.1	127	126	123
Goods Prod. only, no. of jobs	18.4	96	99	98
Hrs. worked by production workers in mfg. ave. weekly	38.8	99	103	104
Industrial electric power sales	***	135	119	95
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.2	−40		
Nonresidential contracts only	10.5	+52		

[1] Lycoming County

Southwestern Quarter

Altoona

Of the 66 other counties in Pennsylvania, only six realized employment growth rates stronger than Blair County's 2.1 percent annual gain in the second quarter. This increase is only slightly below the 2.5 percent increase averaged over the 1983-1989 period. The 57,900 residents officially listed as employed during the April-June period represent a record high. On a seasonally adjusted basis, the jobless rate, at 6.6 percent, is down for the second straight quarter. Still, it is up by 0.7 percentage point over the year.

In terms of job trends, the region's goods producing industries continue to turn in a lackluster performance. Job levels have been below year-ago readings for ten consecutive quarters. Second quarter's 12,700 goods producing positions are off by 300 from the same period in 1989. There are few signs of strength in the manufacturing sector. Job levels are down a bit so far this year. The average factory workweek has been edging down since 1988 which suggests that the hiring situation is not likely to improve over the near-term. Industrial power sales are holding steady, suggesting that factory production trends are flat. Perhaps the lone bright spot in the goods producing sector is found in construction as the value of contract awards is up by more than one-third for both residential and nonresidential projects.

Compared to the first half of 1989, service producing jobs are up 2.5 percent as they continue to hover near record high readings. However, some signs are beginning to emerge which suggest that the lengthy uptrend in service-related jobs is nearing an end. On a seasonally adjusted basis, job levels in June are unchanged from January readings. Given the sluggishness that is evident on the goods producing side, the pressure will remain on the region's service producing establishments to generate the bulk of all new jobs.

Johnstown

The economic situation in the Johnstown metropolitan area is perhaps best described as "stagnant." It is difficult to find any signs of strength in the most widely-followed measures

Altoona Area[1]

	Ave. mo. value 2 Q.'90	Average monthly index seas. adj. (1977 = 100) 2 Q.'90	1 Q.'90	2 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	57.9	111	109	108
Unemployed, no. of residents	4.0	107	111	92
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	61.9	111	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.1	103	104	102
Srv. Prod. only, no. of jobs	40.4	112	112	110
Goods Prod. only, no. of jobs	12.7	82	85	84
Hrs. worked by production workers in mfg., ave. weekly	38.4	100	103	104
Industrial electric power sales	***	78	78	76
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	10.7	+39		
Nonresidential contracts only	25.0	+37		

[1] Blair County

of economic activity. Unfortunately, current expectations are for more of the same. After turning in a fairly strong showing in the late 1980s, the region appears to be in store for some rough sledding in the months ahead.

The situation is deteriorating in the service producing sector which has provided the bulk of all new jobs in recent years. At 1 percent so far this year, job growth is only about one-half its rate averaged during the 1983-1989 period. Still, that is enough to keep readings at or near record highs. Weakness in recent Statewide retail sales trends appears to be filtering into the region as job levels so far this year are only up by a minimal 100 (0.7 percent) from a year ago. Another big job-gainer in recent years, services, continues to hold up its end of the bargain as 600 new positions have been created in this year's first half for a 2.9 percent gain.

Over, roughly, the 1986-1989 period, the bi-county region's goods producers held their own in terms of job levels. So far this year, however, some weakness is evident. On a seasonally adjusted basis, second quarter job totals are down from the first three months of the year. The 20,200 positions are unchanged from a year ago. Trends in the average factory workweek and electricity sales to industrial customers point to some deterioration in manufacturing's health. Construction activity also appears weak, at least according to year-to-date trends in contract awards.

The end result of these generally unimpressive trends is an employment picture that appears to be holding steady with some upward pressure on joblessness. So far this year, employment is down by 300 from 1989 readings. In that the labor force is up by 900, this results in an increase in the number of unemployed residents equal to 1,200. So far this year, the jobless rate has averaged a seasonally adjusted 7.7 percent. Should these trends continue, 1990 will result in the highest jobless rate in at least three years.

Pittsburgh-Beaver Valley

While talk of a recession is a bit premature, there appears to be little momentum in the economy of the Pittsburgh-Beaver Valley metropolitan region. What encouraging news there is mostly falls in the Pittsburgh portion of the region. Such a finding is apparent in recent employment and unemployment trends. In each of the five counties in the area except Washington, second quarter jobless rates are up from year ago readings. In Beaver County, employment readings are off from a year ago. In the four-county Pittsburgh area, employment growth so far this year comes in at 1.1 percent, down from a 1.5 percent average between 1983 and 1989.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	88.6	92	93	92
Unemployed, no. of residents	7.0	68	70	59
Rate, seasonally adjusted	7.6			
Civilian labor force, no. of residents	95.6	89	91	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	80.9	92	93	91
Srv. Prod. only, no. of jobs	60.7	111	112	110
Goods Prod. only, no. of jobs	20.2	60	61	60
Hrs. worked by production workers in mfg., ave. weekly	37.9	97	98	101
Industrial electric power sales	***	166	150	163
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	13.4	-33		
Nonresidential contracts only	17.8	-50		

[1] Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	950.0	110	109	108
Beaver County	55.2	65	65	65
Unemployed, no. of residents				
Pittsburgh[1]	45.5	73	77	70
Beaver County	4.5	70	77	66
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.7			
Beaver County	7.8			
Civilian labor force, no. of residents				
Pittsburgh[1]	995.5	107	107	105
Beaver County	59.6	65	66	65
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	916.7	105	105	103
Beaver County	49.7	65	66	65
Srv. Prod. only, no. of jobs				
Pittsburgh[1]	747.8	124	124	121
Beaver County	38.3	111	112	110
Goods Prod. only, no. of jobs				
Pittsburgh[1]	168.3	62	63	62
Beaver County	11.4	27	28	28
Hrs. worked by production workers in mfg., ave. weekly				
Pittsburgh1	41.7	n.a.	n.a.	n.a.
Beaver County	42.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	63	64	62
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	262.6	+10		
Beaver County	15.6	+24		
Nonresidential contracts only				
Pittsburgh[1]	339.9	+46		
Beaver County	6.0	-32		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

The overall sluggish nature of the economy is especially noticeable in recent retail sales trends. Even before adjusting for price increases, sales through May are off by over 5 percent from a year ago. The decline on the durable goods side, especially in the automotive category, is quite pronounced. Retail trade jobs are unchanged so far this year in Beaver County from a year ago. In the Pittsburgh metro area, job readings are up just 1 percent. A bright spot is found in recent job trends in the service producing sector as a whole. In the Pittsburgh region, these jobs are up 2.8 percent on a year-to-date basis. Over the 1982-1989 period, growth averaged just 2 percent. In Beaver County, service producing jobs are up just 1.2 percent so far in 1989.

Indicators of construction activity are mixed. Job levels during the first half of this year are down slightly in the Pittsburgh portion of the region while they are unchanged in Beaver County compared to a year ago. Residential contract values are up throughout the region. On the nonresidential side, a nice gain is turned in by Pittsburgh to go alongside a decline on the part of Beaver County. New housing units authorized by permit are up by more than one-half through the first six months of the year in Beaver County. In the four-county Pittsburgh region, new authorizations are off by 4 percent.

Elsewhere in the goods producing sector, there continues to be few signs of strength. Industrial power sales are holding steady, implying that manufacturing production is growing very little, if at all. Job levels for the sector as a whole continue to hold steady, albeit at or near all-time lows. Both durable and nondurable goods jobs are down throughout the region, though the decline on the durable goods side is a bit more pronounced.

All things considered, the weakness in goods producing job trends coupled with a reasonable amount of strength on the service producing side results in some improvement in total nonfarm jobs. In the Pittsburgh region, there is a fairly encouraging 2.3 percent gain so far this year, one of the more impressive indicators of the economy's health, especially in light of the 0.6 percent gain recorded Statewide. Beaver County finds nonfarm jobs up just 0.6 percent.

It is quite unlikely that economic growth will pick up in southwestern Pennsylvania in the near-term. This is especially true in light of the questionable outlook for the U.S. economy. Activity in the factory and construction sectors is likely to remain especially weak. The end result will be a relatively poor showing on the employment/unemployment front.

State College

Although economic activity continues to rise in Centre County, trends through this year's second quarter show an economy which is growing at a pace less than what it did during the late 1980s. In 1989, service producing jobs increased by more than 6 percent. So far this year, jobs are up 3.2 percent to another record high — a weak showing relative to recent trends, but still considerably stronger than the State's 1.3 percent advance. Combined, retail trade and services account for about one-half of all new service producing jobs created so far this year in the State College metro area.

The mid and late 1980s were characterized by rapid growth in construction activity in the region. Trends so far this year suggest that activity has cooled a bit. Contract values are down by a large amount from a year ago, especially on the nonresidential side, though job levels are up so far this year. While goods producing jobs Statewide continue to decline, the trend in Centre County points up, just as it has since 1986. For the year, jobs in these industries are up a strong 4 percent. This comes on the heels of a 6.5 percent gain in 1989.

The slowdown in the pace of economic growth is especially apparent in recent unemployment trends. Through June, the jobless rate has been above year ago readings for eight consecutive months. At the same time, employment remains on the rise. (Between the second quarters of 1989 and 1990, only one county in Pennsylvania realized a stronger percentage gain in employment than did Centre.) Again, however, the increase falls well short of that from the past several years. Despite the slowdown, the regional economy remains healthy, especially relative to much of the rest of the State. While growth does appear to have slowed, the absolute level of activity probably remains at an all-time high.

State College Area[1]

	Ave. mo. value 2 Q.'90	Average monthly index seas. adj. (1977 = 100) 2 Q.'90	1 Q.'90	2 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	64.1	154	152	150
Unemployed, no. of residents	3.3	124	135	105
Rate, seasonally adjusted	5.0			
Civilian labor force, no. of residents	67.4	152	151	147
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	60.3	142	140	137
Srv. Prod. only, no. of jobs	48.2	141	141	137
Goods Prod. only, no. of jobs	12.1	143	138	136
Hrs. worked by production workers in mfg., ave. weekly	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	• • •	144	141	138
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	28.5	−29		
Nonresidential contracts only	17.5	−74		

[1]Centre County

Northwestern Quarter

Erie

Most indicators suggest that economic growth in Erie County is holding steady at a pace which appears strong enough to avert a recession. At the same time, it is probably safe to argue that growth has eased a bit so far this year from its pace of the late 1980s. The region's performance relative to the State's appears fairly positive. Over the course of the 1980s, the Erie metro area's relative performance was mixed, at best. There is little likelihood that overall conditions will change anytime soon. The balance of 1990 will likely see the economy continue to turn in a steady performance.

In the second quarter, employment is up a minimal 0.8 percent from a year ago. Still, the 127,200 residents officially listed as employed represent a record high. At 5.1 percent, the jobless rate is up 0.2 percentage point from the same period in 1989. On the plus side, the seasonally adjusted unemployment rate declined in both May and June. However, given that the employment situation is likely to remain sluggish, this is not viewed as the start of a trend.

Total nonfarm job levels continue their slow climb upward. So far this year, they are up 2 percent from 1989, well in excess of the State's 0.6 percent advance. Over much of the 1980s, job gains in Erie County were pretty much in line with Statewide averages. Goods producing job levels continue to hold their own. For the year, they are up by 1,000 to just over 40,000. Trends in jobs, industrial power sales, and the average workweek suggest that the manufacturing sector, though probably not growing at a rapid clip, is turning in a fairly solid showing. Construction jobs are up on a year-to-date basis. Contract values are up by about one-third for nonresidential projects while residential values are down by a similar amount.

Service producing job levels are up by 1,400 in this year's first half. While goods producing jobs are hovering just above all-time lows, job levels in these establishments are at a record high. Retail trade jobs are unchanged from a year ago. This comes on the heels of an average gain of 2.3 percent over the 1982-1989 period. Perhaps the weakness noted in recent

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	127.2	114	114	114
Unemployed, no. of residents	6.9	74	86	70
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	134.1	112	112	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	119.9	109	108	106
Srv. Prod. only, no. of jobs	79.2	123	122	121
Goods Prod. only, no. of jobs	40.7	88	88	86
Hrs. worked by production workers in mfg., ave. weekly	42.7	104	107	104
Industrial electric power sales	***	122	111	117
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	29.4	-30		
Nonresidential contracts only	34.2	+35		

[1] Erie County

retail sales trends at the State level is filtering into Erie County.

Sharon

All things considered, the Mercer County economy is perhaps best described as moving sideways as opposed to up or down. On the positive side, this suggests that the region is not subtracting from the gains recorded during the mid 1980s. For the year, service producing jobs are up just 1.5 percent, slightly above the State's 1.3 percent rise. This gain is still strong enough to push job levels to another record high. The services industry has accounted for a considerable portion of all new jobs generated in recent years. On a year-to-date basis, jobs are up by 200 in these establishments.

For the most part, job trends in the goods producing industry were not influenced by the general economic rebound, which began in the early 1980s, until the beginning of 1987 when employment levels did pick up. However, since 1989, job levels have been flat. Between the first half of 1989 and the same period in 1990, goods producing job totals are essentially unchanged. Within this broad category, durable goods jobs are down by 100 so far this year to go along with a loss of 200 on the nondurables side. Industrial power sales have been on a downtrend since the beginning of 1989, suggesting that there is little, if any, growth in factory output. Construction contract awards are up sharply for nonresidential projects in totaling $11.9 million so far this year. Just the opposite is true for residential projects as contract values are down.

Despite the fact that the number of residents officially listed as employed is up 1 percent in the second quarter from a year ago, there is a fairly large 1.3 percentage point jump in the jobless rate to 5.5 percent. Over the period, employment is up by 500, not nearly enough to absorb an inflow into the labor force equal to 1,200. The end result is an increase in the number of unemployed totaling 700 residents. Should first half trends continue, 1990 is likely to result in the highest jobless rate in Mercer County since 1987.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	49.5	102	102	102
Unemployed, no. of residents	2.9	74	64	56
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	52.4	100	99	98
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	43.9	96	96	95
Srv. Prod. only, no. of jobs	31.1	112	112	110
Goods Prod. only, no. of jobs	12.8	71	72	72
Hrs. worked by production workers in mfg., ave. weekly	41.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	106	107	115
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.4	- 7		
Nonresidential contracts only	11.9	+68		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The economy of the four-county Harrisburg-Lebanon-Carlisle metro area continues moving forward. While some indicators suggest that the pace of the expansion has slowed, the region's performance relative to much of the rest of the State remains encouraging. For instance, employment is up 1.1 percent so far this year. While this falls short of the 2.9 percent average from the 1982-1989 period, it compares favorably with the State's 0.1 percent decline over the same period. While the jobless rate is up by about 0.4 percentage point in the second quarter from a year ago, it still remains quite low. The uptrend in joblessness is evident throughout the State. Only the neighboring Lancaster metro area has a lower jobless rate than Harrisburg-Lebanon-Carlisle.

Employment trends are favorable in each of the region's four counties. Second quarter employment growth from a year ago is clustered in the 1.6-1.7 percent range. Lebanon County's unemployment rate is down from a year ago, one of only four counties in the State realizing such a decline. Each county maintains an unemployment rate below the Statewide average.

Total nonfarm job levels continue to advance to new highs. The 319,100 jobs in this year's second quarter is up 8,000 from a year ago. Nonagricultural job growth is just slightly

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	324.8	129	128	127
Unemployed, no. of residents	13.3	88	92	76
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	338.1	127	126	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	319.1	129	128	126
Srv. Prod. only, no. of jobs	252.7	138	137	134
Goods Prod. only, no. of jobs	66.4	102	101	101
Hrs. worked by production workers in mfg., ave. weekly	40.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	74	75	87
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	108.4	- 30		
Nonresidential contracts only	188.6	+161		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

below trends from the 1980s. Goods producing jobs are holding steady, which is fairly good news in light of the downtrend evident Statewide. Second quarter readings are up barely, by 400, from a year ago. Food products, the region's largest manufacturing employer, has increased job levels by 400 so far this year. The second largest, machinery and electronic equipment, finds job totals down by 600 on a year-to-date basis. Electricty sales to industry, a good proxy of production trends, has been trending down of late. Construction jobs are up by 1,000 so far this year, despite a decline in the value of residential contract awards totaling 30 percent. Nonresidential contract values have surged so far this year.

The region's service producing industries continue to generate significant numbers of new jobs. For the year, jobs are up by 7,300. This translates into a percentage gain of 3 percent, well in excess of the 1.3 percent gain recorded in Pennsylvania as a whole.

While the near-term outlook should not be labeled "bright," it is not especially "cloudy," either. Current expectations are for continued economic growth in the region, though it is quite doubtful that the growth rates of the mid and late 1980s will be matched. As of now, a full-fledged recession is not in the cards as long as the national economy remains even minimally healthy.

Lancaster

Between 1982 and 1989, nearly 29,000 new service producing jobs were generated in Lancaster County. This works out to an average annual gain of 4.1 percent. So far this year, job levels continue to increase, but at a considerably slower 2.3 percent pace. Nonetheless, at 120,300 in the second quarter, job totals remain at a record high. As has been the case for the past several years, services and retail trade lead the region in terms of job growth. On a year-to-date basis, jobs are up 3.6 percent in the services industry and 2.9 percent in retail trade.

Goods producing jobs are in more of a holding pattern, at best. In fact, they are down by about 1,300 compared to a year ago in the second quarter. Trends in the average factory workweek and in electricity sales to industrial customers suggest that manufacturing activity may have topped out, at least temporarily. Still, while other regions in the State find goods producing job totals at or near all-time lows, in Lancaster County they stand near a record high. Following a trend evident in several other metro areas around the State, nonresidential construction contract values are up considerably while residential contract values have slumped during the first half of the year. Construction jobs are up by 300 on a year-to-date basis.

For the most part, the general employment/unemployment situation remains impressive, especially relative to the rest of the Commonwealth. At the same time, there is no denying that conditions have cooled a bit in recent months. At a seasonally adjusted 3.9 percent, second quarter's jobless rate is once again the lowest of the State's 15 metropolitan areas. For the year, employment is actually down a bit. However, this comes on the heels of several years of continuous growth which left employment readings at all-time highs. The minimal downtrend in employment is not especially worrisome.

Lancaster Area[1]

	Ave. mo. value *2 Q.'90*	Average monthly index seas. adj. (1977 = 100) *2-Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	217.8	138	138	139
Unemployed, no. of residents	8.5	100	111	79
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	226.3	136	137	136
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	190.8	134	134	133
Srv. Prod. only, no. of jobs	120.3	154	153	151
Goods Prod. only, no. of jobs	70.5	110	111	112
Hrs. worked by production workers in mfg., ave. weekly	40.0	101	102	102
Industrial electric power sales	***	142	144	145
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	99.4	−32		
Nonresidential contracts only	92.8	+35		

[1] Lancaster County

In sum, overall economic conditions remain favorable. While economic growth is likely to slow over the balance of the year, there appears to be little to worry about with respect to the Lancaster metro area economy. It continues to be ranked at or near the top of the list in terms of overall economic performance, a situation which is unlikely to change markedly in the coming months.

Philadelphia

Much of the steam is gone from the economy of the Philadelphia metropolitan area based on trends through the first half of the year. The region stands in stark contrast with the rest of its neighbors in southeastern Pennsylvania and represents a reversal from trends throughout the mid and late 1980s when the region was a success story. A thorough review of the most telling economic indicators simply does not turn up any real strengths in the region's economy.

During the April-June period of this year, the number of residents officially listed as employed is off by 18,700 from a year ago. Over the same period, there is a net gain in the labor force which totals just 200. The end result is a startling gain of 18,900 in the number of unemployed. At 4.4 percent, the jobless rate is up by 0.8 percentage point from a year ago. The increase in unemployment comes after seven consecutive years of decline. Despite the increase, the rate still remains below Statewide averages. Employment is down in the second quarter in each of the five Pennsylvania counties by an identical 0.8 percent. Statewide, employment is up slightly. All five also find current unemployment rates higher than a year ago, with increases ranging from 0.5 percentage point in Delaware County to 1.1 points in Bucks County.

Construction trends are far from impressive. Building-related jobs are off by 3,200 on a year-to-date basis. The value of construction contract awards is down by about one-third for both residential and nonresidential projects. New housing units authorized by permit are down 21 percent in this year's first half as four of the region's five Pennsylvania counties realized declines. The number of nonresidential authorizations are down 5 percent so far this year.

On the retail sales front, nominal sales are up 5.1 percent through May. Both durable and nondurable goods sales are

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	2,323.9	123	124	124
Unemployed, no. of residents	107.5	61	61	50
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	2,431.4	118	118	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,205.6	120	121	120
Srv. Prod. only, no. of jobs	1,744.4	132	132	131
Goods Prod. only, no. of jobs	461.1	90	91	92
Hrs. worked by production workers in mfg., ave. weekly	40.2	101	102	102
Industrial electric power sales	***	110	111	114
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	651.8	−30		
Nonresidential contracts only	685.0	−37		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

up from a year ago. However, consumer prices are up 5.3 percent, suggesting that the volume of "real" retail sales is going nowhere in the region.

As for industry job trends, goods producing job levels remain on a downtrend which began in mid 1988. For the year, job levels are off 2.5 percent from the first half of 1989. Employment in these industries stands barely above all-time lows recorded as the recession bottomed out in early 1983. Statewide, goods producing jobs are down 1.5 percent this year. Trends in hours worked and electricity sales to industry suggest that manufacturing activity is holding steady, at best. The situation is a bit more encouraging on the service producing side. Still, there are signs of a slowdown in these industries, as well. Most likely, 1990 will bring with it another record number of service producing jobs. However, through the first half of the year, job levels are up by a minimal 0.8 percent. Over the 1982-1989 period, job gains averaged 2.7 percent.

With essentially no signs of strength to be found in the economy, only the most optimistic foresee a turnaround in the near-term. What is more likely is that the economy will continue to muddle along, displaying a minimal amount of growth. While the region is probably not officially in a recession, it is still too close for comfort. On the plus side, though, the slowdown comes after several years of rather strong growth which came to an end in the late 1980s. Perhaps the gains realized over approximately the past decade will give the economy a bit of a "cushion" during the current slump.

Reading

While economic activity is probably not declining in Berks County, trends through the first half of the year suggest that the pace of growth has slowed. Still, the region continues to hold up well compared to much of the rest of the State. Total nonfarm jobs are up 1.7 percent on a year-to-date basis, well in excess of the State's 0.6 percent gain. Over the 1982-1989 period, job growth averaged 2 percent on an annual basis.

Goods producing job levels have been fluctuating in a very narrow range for about the past two years. At 54,700 in this year's second quarter, job readings are off by 600 from the same period a year ago. On a positive note, job levels are just slightly below pre-recessionary readings from the mid and late 1970s. Statewide, goods producing establishments are nowhere near pre-recessionary levels of jobs. On the manufacturing front, both industrial power sales and the average factory workweek have apparently topped out. Durable goods job totals are down by 1,000 in this year's first half. A much smaller decline of 200 is apparent in nondurable goods industries.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	170.8	126	126	126
Unemployed, no. of residents	8.9	93	100	75
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	179.7	124	125	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	156.8	119	119	117
Srv. Prod. only, no. of jobs	102.1	133	133	129
Goods Prod. only, no. of jobs	54.7	100	99	101
Hrs. worked by production workers in mfg., ave. weekly	40.6	104	106	104
Industrial electric power sales	***	142	146	153
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	60.3	−22		
Nonresidential contracts only	41.7	−54		

[1] Berks County

Although job levels are essentially unchanged in this year's second quarter from the first three months of the year after seasonal adjustment, the trend in service producing jobs is still upward. On a year-to-date basis, job totals are up 3.5 percent this year and currently stand at a record high. This gain is actually stronger than the 3 percent average from the 1982-1989 period. Statewide, service producing job growth has eased considerably this year. Between them, the retail trade and services industries have provided the bulk of all new jobs in recent years. So far this year, they have generated 2,100 additional jobs, 60 percent of the total increase in service-producing employment.

While employment continues to move forward, joblessness

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'90	*2 Q.'90*	*1 Q.'90*	*2 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	214.3	139	140	139
Unemployed, no. of residents	10.4	102	109	85
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	224.6	137	138	136
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	181.5	128	128	126
Srv. Prod. only, no. of jobs	111.2	146	146	141
Goods Prod. only, no. of jobs	70.3	107	107	110
Hrs. worked by production workers in mfg., ave. weekly	40.9	100	101	102
Industrial electric power sales	***	105	104	115
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	112.6	− 8		
Nonresidential contracts only	55.4	+49		

[1] Adams and York Counties

is on the rise. Second quarter's jobless rate, at an unadjusted 4.9 percent in Berks County, is up 0.8 percentage point from a year ago. In absolute terms, unemployment is up by 1,700 residents. Employment is up by 1,000 over the same period. In a nutshell, not enough new jobs are being generated to absorb the inflow of residents into the labor force, accounting for the increase in unemployment. For the year, employment is up barely, by 0.3 percent. This is down considerably from the 2.4 percent average from the 1982-1989 period.

York

The York metropolitan area economy is following a trend evident throughout much of the State. Although economic growth has slowed, the region is not subtracting away from the gains recorded during a period of relatively rapid growth during the previous several years. There are no indications that this general pattern will change in the near future. In the absence of any signs of a turnaround in the national economy, the Adams/York County economy is unlikely to approach the levels of economic growth recorded just a few years ago.

Employment is up 0.2 percent from a year ago in the second quarter, just slightly higher than the Statewide average. On a seasonally adjusted basis, resident employment has declined in three of the past five quarters. As a result of the downtrend in employment growth, joblessness is on the rise. The unemployment rate, at 4.6 percent, is up from 3.9 percent in the second quarter of 1989. Still, the region remains on fairly solid footing relative to the State with its 5.1 percent second quarter rate. Only three counties maintain an unemployment rate below Adams' 3.6 percent.

Several years of strong growth in service producing jobs may be coming to an end after increasing practically nonstop since 1983. On a seasonally adjusted basis, job levels are unchanged in June from January readings. For the year, though, job levels are up 3.4 percent, more than double the Statewide advance. In absolute terms, this translates into a gain of 3,700.

On the goods producing side, job levels have been on the downtrend since the beginning of 1989 after reaching a post-recession peak. Second quarter's 70,300 jobs translate into a decline of 1,900 from a year ago. In seasonally adjusted terms, job levels have now declined in five consecutive quarters. The region's largest manufacturing employer, industrial machinery, has reduced payrolls by 300 so far this year. The average factory workweek, a leading indicator of manufacturing hiring trends, has been on a downtrend for more than two years. Industrial power sales, a proxy for production activity, has been on the decline since the beginning of 1989. For the region as a whole, nonresidential construction contract values are up by one-half from a year ago to go along with an 8 percent decline on the residential side. In Adams County, 7 percent more new houses have been authorized by permit compared to the first half of last year.

— *William D. Anderson*

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Pennsylvania Business Survey

September 1990

U.S. AND WORLD DEVELOPMENTS WILL DETERMINE THE FUTURE COURSE OF THE PENNSYLVANIA ECONOMY

The Pennsylvania economy enters the second half of 1990 with little, if any, momentum. For now, a rebound in the economy appears out of the question. In talking about the outlook, the big question concerns whether the economy will "officially" slip into a recession or manage, just barely, to remain afloat.

It is important to point out that the problems currently facing Pennsylvania do not reflect something "wrong" with the Commonwealth's economy. In the early 1980s, a good portion of Pennsylvania's problems were due to structural shortcomings (e.g., outdated production facilities) specific to Pennsylvania and other industrial states. This time around, the slowdown in the Commonwealth appears to be a cyclical response to adverse economic conditions nationwide. **While it can be argued that the Pennsylvania economy is failing to keep up with economic growth in the rest of the nation, the shortfall is minimal and not nearly as worrisome as in the early 1980s when the State was outperformed by a considerable margin.**

Historically, the *Pennsylvania Business Survey* has not been used as a vehicle to offer opinions on the social and political issues of the day. However, because of its potential to greatly influence the course of international, national, and hence, Pennsylvania economic activity, the Middle East situation cannot be ignored in any attempt to gauge the likely course of future economic trends. **From the perspective of the economy, little, if any, good is likely to result from a prolonged military confrontation in the Persian Gulf region.** Those that feel that the economy will rebound in response to military action are likely to be proven wrong should that situation arise. The current crisis is quite different from previous conflicts such as World War II, which many feel brought an end to several years of economic turmoil, and the Vietnam military action, which coincided with the longest economic expansion on record in the U.S. In a nutshell, **the negative consequences, including disruptions in the supply of oil and further pressures on an already weak budgetary situation in Washington, will dominate should armed conflict break out in the Middle East.**

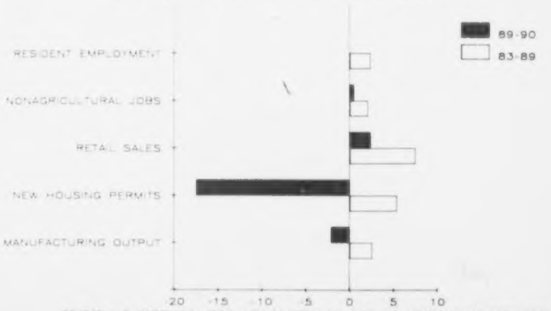
As an aside, the Middle East crisis illustrates the riskiness inherent in economic forecasting. Many forecasts have been rendered obsolete by continuous change in the Persian Gulf situation. Even the above summary, written just a few days prior to the Bush-Gorbachev mini-summit meeting, may be outdated by the time this issue of the *PBS* is distributed to subscribers, given the current hope that the meeting may help bring about a settlement of the dispute. In sum, while the Middle East situation will surely impact the economy in the months ahead, just what those impacts will be is hard to say. It is safe to assume, however, that the likely impacts will not be pleasant.

Without a doubt, economic growth has slowed considerably in Pennsylvania through the first seven months of 1990. **Growth so far this year for five of the more widely followed indicators of the economy's health — resident employment, nonfarm jobs, retail sales, housing unit authorizations, and manufacturing output — is down considerably from 1983-1989 averages** (chart).

Employment and unemployment trends are far from impressive. **On a year-to-date basis, employment in Pennsylvania is unchanged from the first seven months of 1989.** This comes on the heels of a gain of 2.4 percent averaged over the 1983-1989 period. As a result of the sluggish pace of employment growth, the jobless rate has been above year-ago readings for nine consecutive months.

Past research has concluded that labor force participation rates (the labor force expressed as a percent of the civilian population) are influenced by the economy's overall health. If the economy is healthy and employment opportunities are perceived as being plentiful, more residents will be expected to enter the labor force. In an economy that is perceived to be weakening, participation rates tend to decline. Taking these arguments one step further, interstate differences in participa-

RECENT AND HISTORICAL TRENDS IN SELECTED PENNSYLVANIA ECONOMIC INDICATORS
(1989-1990 percent change and 1983-1989 average annual percent change)



SOURCE: U.S. DEPTS. OF LABOR AND COMMERCE; PA DEPT. OF LABOR AND INDUSTRY; PSU.

tion rates may partially reflect differences in the general health of state economies. (Other, mostly demographic, factors, such as the age-distribution of the population, will also influence labor force participation trends.) **Only five states maintained lower labor force participation rates in 1989 than Pennsylvania's 62.5 percent (table). On the surface, this does not shed the overall economic/employment situation in Pennsylvania in a positive light, at least in relative terms, though further analysis is required to draw more definitive conclusions. Some may argue that because the Commonwealth has maintained a jobless rate that has been lower than the U.S. average in recent years, the overall economic/employment situation is actually a bit more positive in Pennsylvania in comparison with the nation.**

For the most part, trends also appear weak with respect to nonfarm jobs. **When trends in 11 "large" states (as classified by the U.S. Bureau of Labor Statistics) are analyzed, Pennsylvania fares quite poorly. Pennsylvania's nonagricultural job growth rate in the first half of this year, at 0.6 percent, is surpassed by eight other states within the group** (chart).

Recent trends in average annual pay levels in Pennsylvania differ considerably between the service and goods producing sectors. The four industries with the strongest percentage growth rates over the 1983-1989 period are each classified as service producing. Labor market theory suggests that as the demand for these types of workers expands, wages and salaries should increase at a relatively strong pace. On

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	June	*July*	*July*	*June*	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,162*	5,133	5,122	5,122*	5,125	5,107	112.2*	112.3	111.9
Service Producing									
No. of wage and salary jobs (thous.)	3,857*	3,823	3,789	3,838*	3,834	3,799	128.3*	128.2	127.0
Transportation and public utilities	256	250	251	254	254	255	97.0*	96.9	97.6
Wholesale trade	284	284	282	282	282	279	127.1*	127.2	125.9
Retail trade	894*	891	894	891	891	894	124.3*	124.2	124.7
Finance, insurance & real estate	300*	300	301	296	296	297	136.3*	136.1	136.5
Service & miscellaneous	1,422*	1,423	1,391	1,412	1,413	1,381	163.7	163.9	160.1
Federal government	149	148	145	148	147	144	115.3*	114.6	112.0
State & local government	553	528	531	556	550	553	95.4*	94.4	94.9
Goods Producing									
No. of wage and salary jobs (thous.)	1,304	1,308	1,326	1,284	1,291	1,308	81.6	82.0	83.1
Construction	241*	252	254	232	233	235	126.1*	126.7	127.6
Mining	28	27	21	27	27	21	57.1*	56.7	44.0
Manufacturing	1,035	1,029	1,051	1,026	1,028	1,051	76.5	76.6	78.3
Durable goods	588	584	601	583*	583	599	72.0*	71.9	74.0
Nondurable goods	447	445	450	444	446	451	83.4	83.7	84.8
Ave. wkly. hrs. worked by prod. workers	40.8*	40.6	40.8	40.7	40.8	41.0	102.9	103.2	103.7
Total wkly. person-hours worked (mils.)	29.1*	28.8	29.5	28.9	29.0	29.7	75.2*	75.6	77.4
Total wkly. payroll (mil. dols.)	321.3*	318.7	314.2	318.7*	322.0	317.3	141.8*	143.3	141.2
Average hourly earnings (dollars)	11.02	11.07	10.64	11.04	11.09	10.66	188.8	189.6	182.2
Average weekly earnings (dollars)	449.62	449.44	434.11	449.17	453.52	437.85	194.2	196.0	189.3
Steel production (thous. tons)	989*	1012	941	n.a.	n.a.	n.a.	45.4	48.2	45.0
Industrial electric power sales (mil. kwh)	3,852	3,905	3,748	3,789	3,843	3,682	102.6	104.1	99.7
Mining									
Anthracite coal (thous. net tons)	327	277	211	352	304	233	72.0	62.3	47.8
Bituminous coal (thous. net tons)	6,232	5,173	4,095	6,536	6,399	5,274	92.7	90.7	74.8
Construction contracts awarded (mil. dols.)									
Total	919.2	801.9	811.2*	668.3	743.7	814.0*	207.7	231.2	253.0*
Residential building	313.4	332.3	345.7*	288.1	297.5	329.7*	204.7	211.4	234.2*
Nonresidential building	371.8	281.3	330.8*	266.3	289.2	352.4*	245.5	266.5	324.9*
Nonbuilding (utilities and public works)	234.1	188.4	154.6*	113.9	157.0	131.9*	157.1	216.6	182.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,678	5,664	5,644	5,624	5,563	5,540	117.0	115.8	115.3
Unemployed									
No. of persons (thous.)	296	310	277	271	292	260	67.5	72.9	64.9
Rate (percentage of labor force)	5.0	5.2	4.7						
Rate, seasonally adjusted				4.6	5.0	4.5			
Civilian labor force, no. of persons (thous.)	5,974	5,974	5,921	5,894	5,856	5,800	113.2	112.5	111.4
Initial claims for unemployment benefits	88,201	106,487	93,305	98,269	98,963	90,843	68.6	69.1	63.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	June	*July*	*July*	*Ago*	*Ago*
U.S. city average	129.9	130.4	124.4	0.4	4.8
Philadelphia	135.1	136.3	129.3	0.9	5.4
Pittsburgh	125.0	n.a.	120.4&	n.a.	3.8

[1] Total includes workers on strike. * = figure revised n.a. = data not available & = figure for June 1989
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1989 labor force participation rates (percent of civilian population in labor force: ages 16 and over)

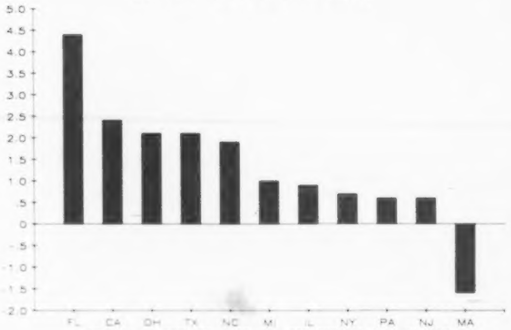
New Hampshire	72.9
Alaska	72.2
Minnesota	71.7
Nevada	71.6
Vermont	71.5
Wisconsin	71.2
Delaware	71.1
Utah	71.1
Maryland	70.9
Iowa	70.2
Connecticut	70.0
South Dakota	69.6
Wyoming	69.4
District of Columbia	69.3
Kansas	69.3
North Dakota	69.2
Virginia	69.2
Texas	69.0
Colorado	68.9
Massachusetts	68.9
Washington	68.9
North Carolina	68.7
Indiana	68.3
Oregon	68.3
Rhode Island	68.2
Illinois	68.1
Georgia	68.0
Nebraska	68.0
Montana	67.9
California	67.7
Idaho	67.4
Missouri	66.8
Hawaii	66.4
Maine	66.3
New Jersey	66.1
South Carolina	66.0
Michigan	65.7
Ohio	65.6
Arizona	65.2
Oklahoma	63.8
New Mexico	63.7
Arkansas	63.4
Tennessee	63.1
New York	62.9
Florida	62.6
Pennsylvania	62.5
Kentucky	62.3
Alabama	62.1
Mississippi	61.6
Louisiana	60.2
West Virginia	53.6

Source: U.S. Dept. of Labor, Bur. of Labor Statistics.

the goods producing side, where downward pressure has been exerted on job levels over much of the period, increases in pay have not nearly been as pronounced. Of the five industries with the weakest gains in average pay over the period, three are from the goods producing side.

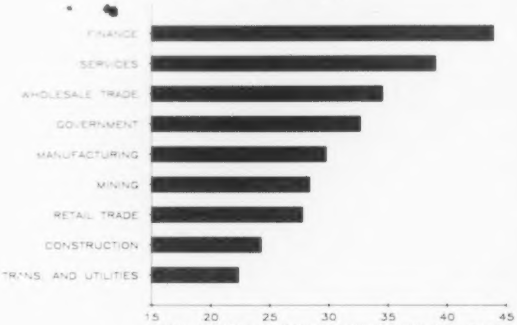
Weakness is clearly evident on the retail sales front. Through June, sales are up only 2.4 percent from a year ago. Prices, on the other hand, are up by about twice as much over the same period. Trends in auto-related sales and in new vehicle registrations remain especially weak. **As sales growth**

1990 NONAGRICULTURAL JOB GROWTH IN 11 LARGE STATES
(annual percent change)



SOURCE: U.S. DEPT. OF LABOR, PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA AVERAGE ANNUAL PAY TRENDS BY INDUSTRY: 1983-1989
(percent change)



SOURCE: U.S. DEPT. OF LABOR, PSU, CTR. FOR REG. BUS. ANALYSIS.

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Total	7,050	0.7	39,760	2.4
Durables	2,590	- 3.6	14,225	0.3
Bldg. mat.	357	4.7	1,617	- 0.9
Auto dlrs.	1,605	- 1.1	8,511	- 1.9
Furniture	313	- 4.6	1,868	5.9
Other	315	- 20.1	2,229	5.9
Nondurables	4,460	3.4	25,535	3.5
Gen. mdse.	715	1.3	3,840	3.3
Food/grocery	1,458	4.7	8,349	3.4
Gas	410	1.2	2,340	2.8
Apparel	345	3.9	1,909	3.5
Eat/drink	844	7.4	4,734	6.0
Drugs	255	- 1.9	1,531	- 0.9
Other	433	0.2	2,832	3.3
Seas. adj. total: June		6,887		
May		6,860		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania motor vehicle registrations (percent change from year ago)

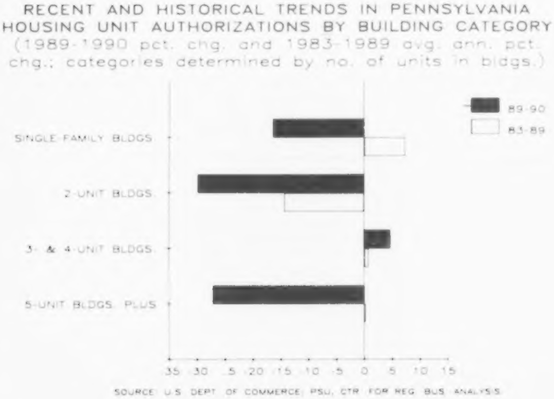
	Total registrations	Pct. change
June	58,635	– 0.9
1990 YTD	314,409	– 6.5
12-month total	643,494	– 8.7

Source: R.L. Polk & Co.

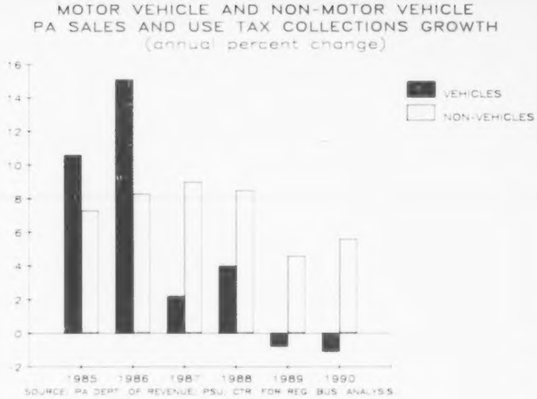
New Pennsylvania building permit authorizations (percent change from year ago)

	July	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,216	– 19.1	23,377	– 17.5
Nonresidential	2,507	12.0	12,892	– 4.6

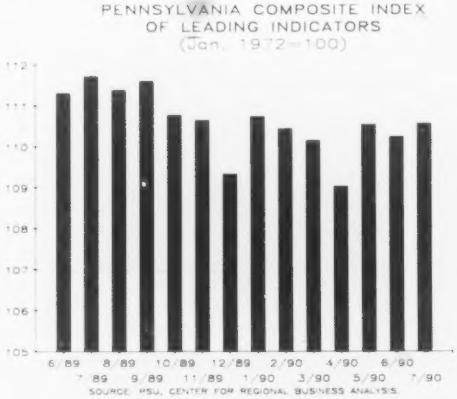
Source: U.S. Dept. of Commerce, Bureau of the Census.


RECENT AND HISTORICAL TRENDS IN PENNSYLVANIA HOUSING UNIT AUTHORIZATIONS BY BUILDING CATEGORY (1989-1990 pct. chg. and 1983-1989 avg. ann. pct. chg.; categories determined by no. of units in bldgs.)

SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS


MOTOR VEHICLE AND NON-MOTOR VEHICLE PA SALES AND USE TAX COLLECTIONS GROWTH (annual percent change)

SOURCE: PA DEPT. OF REVENUE; PSU, CTR. FOR REG. BUS. ANALYSIS


PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan. 1972=100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

has eased in recent months, so has the growth in sales and use tax collections on the part of the Pennsylvania Department of Revenue (chart). A good portion of the weakness is found in the motor vehicles category where collections are actually down from a year ago. While still positive, growth in the non-vehicles component has been weaker during 1989 and 1990 than in years past. (1990 trends are based on data through July.)

There is no end in sight to the downward spiral in construction activity. In July, new housing unit authorizations are down nearly one-fifth from a year ago, the 18*th* decline in the past 19 months. While nonresidential permits are up a bit for the month, the year-to-date trend still points down.

On the residential side, trends differ considerably across the various building categories (chart). The only structures to realize a gain in permit authorizations so far this year are those with 3 or 4 housing units (i.e., small apartment buidings and condominium structures). On the single-family side, permit authorizations are off 16 percent through July. Over the 1983-1989 period, single-family authorizations grew at an average rate of 7.4 percent. Authorizations for housing units in buildings which contain at least five units are off more than 25 percent this year.

In a nutshell, it is hard to find any sign of improvement in the Pennsylvania economy based on trends through July. While there may be scattered improvement in individual indicators, the overall trend remains worrisome. Still, the evidence is not so convincing as to conclude that the Commonwealth is in, or is headed for, a recession. That is practically entirely dependent on how the national and international economic situation unfolds in the months ahead. On the plus side, there was a slight uptick in the index of leading indicators for the State in July, though declines have still been recorded in four of the past six months.

— William D. Anderson

Personal Income Report

Over the course of the late 1980s, Pennsylvania personal income trends pointed to an economy that was on the rise. Trends in this year's first quarter suggest that these strong income gains have apparently come to an end, at least temporarily, in the Commonwealth. Typically, it is best not to base such a contention on just one quarter's data. However, in combination with other measures of the economy's health in the State, first quarter personal income trends leave little doubt that the recovery in Pennsylvania has slowed considerably. It is hard to find any signs of strength in the Commonwealth's economy.

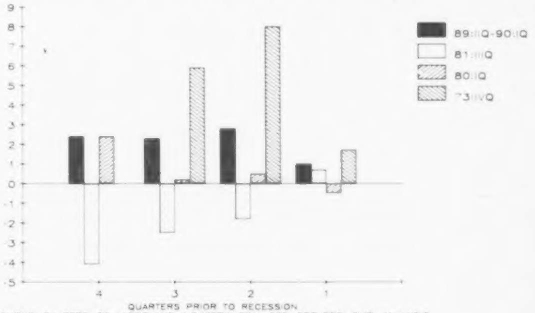
In totaling $217,396 million in the first quarter, personal income in Pennsylvania is up 6.1 percent from a year ago. This represents the weakest gain in three years. In real, or inflation adjusted, terms, the annual gain in personal income is the smallest since 1983. Nationwide, personal income is up 6.9 percent in the first quarter. All told, 30 states have turned in personal income gains in the first quarter which are stronger than Pennsylvania's. First quarter income growth in Pennsylvania trails every other state (DE, MD, NJ, and NY) in the mideast region. The Commonwealth's showing relative to the New England and Great Lakes states is, for the most part, relatively impressive.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1990:IQ	217,396	1.8	6.1	216,104	1.7	6.1
1989:IVQ	213,648	1.4	7.1	212,570	1.4	7.1

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

REAL PA INCOME GROWTH: 89:IIQ-90:IQ AND FOUR QUARTERS PRECEDING THREE PREVIOUS RECESSIONS
(annual percent change; recessions began in 81:IIIQ, 80:IQ, and 73:IVQ)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

Although first quarter developments are far from positive, they are not indicative of a recession. Trends over the past four quarters are somewhat encouraging relative to the four quarters prior to the three most recent recessions. Specifically, real personal income growth trends prior to the recessions beginning in the third quarter of 1981 and the first quarter of 1980 were considerably weaker than the more recent trends (chart). Personal income growth prior to the 1973:IVQ recession was significantly stronger than in the current period. In last month's *PBS*, an examination of recent nonfarm job trends showed that the current pattern of job growth is not inconsistent with trends prior to previous recessions. With such a mixed bag of evidence, the safest forecast is for continued weak, albeit nonrecessionary, growth in the Pennsylvania economy. Still, one cannot ignore the possibility of recession, especially in light of escalating tensions in the Middle East and their potential impacts on the U.S. and Pennsylvania economies.

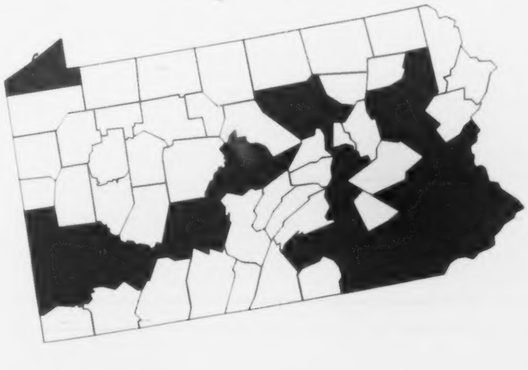
PROGNOSIS FOR A RECOVERING RURAL PENNSYLVANIA ECONOMY

Historically, the focus of the Pennsylvania Business Survey *has been on the Commonwealth's economy and its major metropolitan areas. In order to provide readers with a broader feel for trends and issues as they relate to the Pennsylvania economy, it is felt that it is worthwhile to provide a thorough overview of economic conditions in rural Pennsylvania. This represents the first of what will hopefully be an annual review of the rural Pennsylvania economy.*

Pennsylvania has the largest rural population in the nation with more than 3.6 million residents. This special report focuses on key economic indicators for Pennsylvania's "most rural" counties during the decade of the 1980s. According to the U.S. Census Bureau, persons living in boroughs and townships with a population under 2,500 are rural residents. Outlined on the accompanying map are Pennsylvania's "most rural" counties, defined as having over 50 percent of their population living in rural boroughs and townships.

This report was prepared by the Center for Rural Pennsylvania, a legislative agency of the Pennsylvania General

URBAN AND RURAL PENNSYLVANIA COUNTIES
(urban counties are shaded)



Assembly. A copy of the full study, Rural Pennsylvania Enters the 1990s: Economic Development Outlook and Opportunities, *is available from the Center for Rural Pennsylvania, 212 Locust Street, Harrisburg, Pennsylvania 17101 (717-787-9555). The Center for Regional Business Analysis gratefully acknowledges the authors of this study and their willingness to present their findings in the* Pennsylvania Business Survey.

The vital signs indicate improved economic health for rural Pennsylvania throughout the latter half of the 1980's. However, the long-term prognosis for rural Pennsylvania is uncertain as unemployment remains high, and the gap between urban and rural per capita income levels continues to widen. The increasing threat of national economic recession is of particular concern for an already weak rural economy.

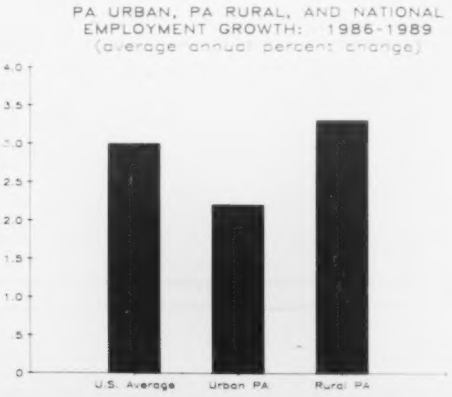
Rural Employment Decline: 1980-1986

Reflecting trends in the national and State economies, Pennsylvania's 42 most rural counties suffered serious employment losses during the first half of the 1980s. The loss of higher paying manufacturing and mining jobs was particularly damaging. During the first six years of the 1980s, more than 50,000 manufacturing jobs and 7,000 mining jobs were lost from the rural areas.

The large decline in manufacturing and mining employment disproportionately impacted rural counties in the western half of the Commonwealth. With the exception of Bedford and Potter, all rural counties in the western half of the State suffered significant net job losses between 1980 and 1986. In contrast, the majority of counties in the eastern half of the State benefited from net job growth during this same time period. While most eastern Pennsylvania rural counties also lost manufacturing jobs, their relatively diverse economies benefited from the more than 30,000 rural service and retail jobs during the early 1980s.

Rural Employment Growth: 1986-1989

The accompanying chart illustrates the resurgence of rural employment opportunities in the late 1980s. While urban Pennsylvania's employment growth did not keep pace with national trends, rural employment grew at a rate faster than the national average. In total, there was a net increase of over 75,000 new jobs during 1986-1989.


PA URBAN, PA RURAL, AND NATIONAL EMPLOYMENT GROWTH: 1986-1989 (average annual percent change)

Even western counties which suffered major manufacturing declines during the first half of the decade gained net jobs during the last three years. With only three exceptions (McKean, Venango, and Greene), Pennsylvania's rural counties all gained employment during the last three years of the 1980s. Twenty-five of the 42 rural counties had rates of job growth above the national average (9.3 percent) for the last three years of the decade.

The geographically diverse rural employment recovery of the late 1980s was driven by expansion within a broad range of economic sectors. Eighteen specific business and industry categories gained more than 1,000 jobs over the three year period (table).

Significantly, manufacturing industries provided 19,765 new jobs in rural counties between 1986 and 1989. The leading rural manufacturing industries were wood products and food processing. Even primary metals industries, which alone lost more than 10,000 rural jobs between 1980 and 1986, gained nearly 1,600 new rural jobs in the last three years of the 1980s.

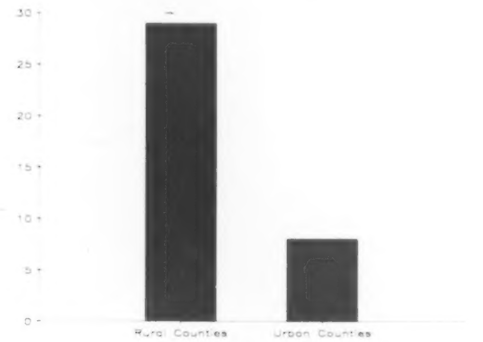
The expansion of manufacturing primarily explains why job growth in rural counties has outpaced urban areas in recent years. During the last three years of the 1980s, manufacturing employment expanded 10.1 percent in rural counties while declining by 2.6 percent in urban places. Among Pennsylvania's 42 rural counties, 32 gained manufacturing jobs between 1986 and 1989. Manufacturers increasingly seek rural locations offering a larger labor pool and generally lower operating costs.

Unemployment Remains High in Many Rural Areas

While rural job growth has outpaced urban areas in recent years, unemployment statistics reveal rural residents are having greater difficulty finding jobs than their urban counterparts. Almost one-third of the rural counties face unemployment rates in excess of 7 percent. Less than one-tenth of urban counties maintained jobless rates in excess of 7 percent (chart). Rural counties with the highest unemployment rates tend to be the more isolated counties located in the western half of the State.

Rural Pennsylvania Growth Industries: 1986-1989

Industry	Net new jobs: 1986-1989
Manufacturing	
Lumber/Wood Products	3,708
Food Products	2,063
Rubber/Misc. Products	1,644
Primary Metals	1,596
Transportation Equipment	1,240
Furniture/Fixtures	1,140
Service Related	
Health Services	4,499
Eating/Drinking Places	3,042
Special Trade Contractors	2,452
General Bldg. Contractors	2,408
Business Services	2,271
Social Services	2,212
Food Stores	2,189
Gen. Merchandise Stores	1,821
Hotels/Lodging	1,394
Amuse./Recreation Services	1,330
Auto Dlrs./Serv. Stations	1,181
Wholesale Trade-Durables	1,016


PERCENT OF PENNSYLVANIA COUNTIES WITH UNEMPLOYMENT RATES ABOVE 7 PERCENT: 1989

A number of factors likely contribute to continued high unemployment rates in rural counties relative to their urban counterparts. Perhaps among the most important is the reality that unemployed rural residents must often compete with new or returning residents for available jobs. As new job opportunities become available in rural Pennsylvania, many residents who left during the 1980s seek to return. Because these individuals have continued to refine their skills at jobs in other regions of the country, they are usually the first to be chosen by new rural employers. As a result, the long-term unemployed are often by-passed when new employment opportunities arise.

Rural Income and Wages Have not Kept Pace With the Statewide Average

A "bottom-line" indicator of the economic condition of a community or area is the income of its residents. In 1987, after the employment declines of the early 1980s and at the beginning of the 1986-1989 employment turnaround, per capita incomes in rural counties reflected significant economic problems for the rural families. Nearly two-thirds of Pennsylvania's 42 most rural counties had per capita income levels below 80 percent of the Statewide average in 1987.

The long-term trend for per capita income levels in rural Pennsylvania communities suggests significant underlying problems for rural economies. Per capita income declined relative to the Statewide average in three-fourths of Pennsylvania's rural counties between 1979 and 1987.

The precise impact of recent rural job growth on rural income can not be assessed until more recent county level per capita income data becomes available. However, wage and salary trends of the 1980s do not provide an optimistic picture. While rural job growth outpaced urban growth during the last three years of the 1980s, wages and salaries have not followed suit.

Average annual wages of workers in rural Pennsylvania have been consistently below the Statewide average over the decade (chart). The average annual inflation-adjusted wage of workers in rural Pennsylvania has risen along with job growth in the late 1980s, but not as rapidly as Statewide. The dominance of lower wage jobs has also meant lower incomes for many rural families.

Prescription for a Healthy Rural Economy

Recent employment growth is indicative of a strengthening rural Pennsylvania economy. However, the future economic health of rural Pennsylvania remains vulnerable as unemployment is slow to decline in most rural counties and the gap between urban and rural per capita income levels continues to widen. A major national recession could quickly erode rural economic gains of the late 1980s.

Essential to a diagnosis of economic health for rural Pennsylvania are the expansion of higher paying rural employment opportunities, increased presence of national growth industries, and success in integrating the long-term unemployed into the workforce. Consequently, a successful prescription for long-term rural economic health must be broad-based, addressing the needs of rural people as well as the needs of rural business and industry.

The following are offered not as a complete list, but rather examples of what can be done to promote future rural economic health:

> *Create a Better Educated Rural Workforce . . .* Education is key to both developing quality rural job opportunities and improving the ability of long-term unemployed rural residents to obtain meaningful employment. Over 50 percent of the jobs created during the 1990s will require some education beyond high school. Jobs of the future will demand higher skill levels, but rural people lag behind in participation in programs that provide needed skills. A recent Statewide survey found that one of the most pressing problems for business people is recruiting workers with adequate skills. Among the skills most in demand by employers are computer skills, basic math, basic English, and communication skills. Studies document that the availability of a skilled labor force is a key consideration of business people in choosing a location for their business. This is particularly true for businesses offering higher wage jobs.
>
> *Encourage Residential-Based Development in Smaller Rural Communities . . .* Approximately 1,800 of Pennsylvania's 2,600 municipalities are smaller than 2,500 people. Attracting new industry to these smaller

AVERAGE ANNUAL REAL WAGES: PENNSYLVANIA AND RURAL COUNTIES
(thousands of 1982-1984 dollars)

communities is difficult. However, with appropriate policies to improve housing and community amenities, these same small communities unable to attract industry can be successful in attracting and retaining residents. New residents can be a powerful economic base for many small communities. First, those residents who commute to surrounding employment centers for work, bring their paycheck home. By spending that paycheck in local businesses, they contribute to the long-run economic vitality of the community. A second way new residents, especially retirees, contribute to rural economies is through local spending of dividends and interest from personal investments and government payments such as social security. At the State level, tapping the potential of residential-based development for smaller rural communities will require improved integration of community development with traditional business development efforts.

Increase Access to State Programs . . . Before developing new State programs for rural economic development, it is prudent to develop mechanisms to first improve the utilization of existing programs within rural areas. Rural areas face unique circumstances in using State programs. Examples of unique circumstances inherent in sparsely populated rural areas include: difficulties attracting new business and industry, high cost of providing services for a small population, large numbers of small governmental units with resultant coordination problems, and reliance on part-time elected officials and volunteers. As state programs generally do not recognize these disadvantages, rural areas do not participate in the programs available to them in proportion to their needs. Modification of community and economic development program criteria and design to better meet rural needs is one action which can be taken to increase rural access to State programs.

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